Report of the
AUDITOR GENERAL
to the Legislative Assembly

Prince Edward Island

2015

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The Honourable Speaker and
Members of the Legislative Assembly
Province of Prince Edward Island

In accordance with the requirements of the *Audit Act*, I have the honour of presenting my 2015 Annual Report to the Legislative Assembly.

Respectfully submitted,

B. Jane MacAdam, CA
Auditor General

Charlottetown
Prince Edward Island
March 9, 2015

Table of Contents

CHAPTER PAGE

Introduction

Special Audits and Examinations

1. Introduction to Special Audits and Examinations 1
2. Access PEI 3
3. Out-of-Province Health Services 22
4. Management of Contaminated Sites 36
5. Write-offs and Cancellations 51

Financial Audits

6. Introduction to Financial Audits 61
7. Indicators of Financial Condition 63
8. Public Accounts 78
9. Appropriations and Special Warrants 92

Status of Recommendations from Previous Audits

10. Update on Previous Recommendations 97
    Appendix A - Detailed Status of Recommendations from 2014 101
    Appendix B - Status of Recommendations from 2010 to 2013 113

Public Accounts Committee - Role and Relationship

11. Public Accounts Committee 135

Office of the Auditor General - Responsibilities and Operations

12. Office of the Auditor General 139

Schedules

Schedule A - Appropriations
Schedule B - List of Special Warrants

INTRODUCTION

REPORT OVERVIEW

The *Audit Act* requires the Auditor General to report annually to the Legislative Assembly. This 2015 Annual Report provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year. Following is a brief overview of the report.

Chapter 1: Introduction to Special Audits and Examinations
This chapter provides summary information on the mandate, selection, and processes related to special audits and examinations.

Chapter 2: Access PEI
Access PEI provides centralized service delivery to Islanders for many provincial government programs. We examined whether Access PEI has an adequate internal control framework over selected operational and IT risks. We also looked at whether Access PEI has policies and procedures to monitor and report on the performance and quality of its services.

Chapter 3: Out-of-Province Health Services
Out-of-province health service costs are significant. These costs arise either when an Island resident is out of province at the time a health issue occurs or when an Island resident is directed out of province because the services required are not available in PEI. We looked to see whether Health PEI monitors these expenditures, ensures referred services receive prior approval, and appropriately administers health service payments.

Chapter 4: Management of Contaminated Sites
We examined whether government has adequate information and processes to effectively manage its responsibilities for contaminated sites in accordance with applicable legislation and selected aspects of best practices. We also assessed whether the Environment Division of the Department of Environment, Labour and Justice had adequate processes for recording and responding to complaints and notifications received concerning possible contaminated sites.

Chapter 5: Write-offs and Cancellations
Under the *Audit Act*, our Office is to report annually on the total amount of any claims, debts, or monies due to the province that have been discharged, cancelled, and/or released under section 26 of the *Financial Administration Act*. We provide discussion and analysis on this reporting requirement, however our work does not constitute an audit.

Chapter 6: Introduction to Financial Audits
Introductory comments summarize the mandate, standards, and responsibilities related to financial audits.

Chapter 7: Indicators of Financial Condition
We provide information on a number of indicators based on the province's audited consolidated financial statements. For the year ended March 31, 2014, the province incurred an operating deficit of $45.9 million, and net debt increased by $59.4 million totalling almost $2.1 billion at year-end.

Chapter 8: Public Accounts
Each year, we audit the province's consolidated financial statements. This chapter provides our audit opinion as well as comments, observations, and recommendations arising from our work.

Chapter 9: Appropriations and Special Warrants
This chapter provides information on appropriations and special warrants for the year ended March 31, 2014. We provide an opinion on whether amounts were expended for the purpose for which they were appropriated.

Chapter 10: Update on Previous Recommendations
Our special audits and examinations result in recommendations to departments, Crown corporations, and agencies. Each year, we contact these departments and agencies to obtain an update on action taken to address outstanding recommendations from previous audits. This chapter includes information on the status of implementation of recommendations issued since 2010.

Chapter 11: Public Accounts Committee
The Public Accounts Committee reviews the Auditor General's Annual Report and plays an important role in holding government accountable for the management of public resources. Information on the Committee and its review of our Annual Report is provided in this chapter.

Chapter 12: Office of the Auditor General
This chapter provides information on the mandate and the responsibilities of the Auditor General. Information is also provided on the strategic objectives of the Office as well as resources, personnel, and professional affiliations.

ACKNOWLEDGEMENTS

I am pleased to present my 2015 Annual Report to the Legislative Assembly. I would like to acknowledge the dedicated staff in the Office for their hard work, professionalism, and support. The audit work completed, the recommendations for improved public sector management, and the preparation of this report are the result of their efforts. Their contributions and commitment are essential to the continued success of the Office.

To maximize the contribution the Office makes to the improved management and control of public resources, the cooperation of ministers, deputy ministers, and senior management and staff of agencies, boards, and Crown corporations is important. I wish to acknowledge that cooperation was received to complete the work included in this Annual Report.

INTRODUCTION

APERÇU DU RAPPORT

En vertu de la *Audit Act* (loi sur la vérification des comptes publics), le vérificateur général doit déposer un rapport devant l'Assemblée législative tous les ans. Le présent rapport de 2015 fournit les observations, les recommandations et des renseignements sur les vérifications et les examens des activités du gouvernement menés par le Bureau au cours de l'année. Voici un aperçu du contenu du rapport.

Chapitre 1 : Introduction aux vérifications et aux examens spéciaux
Ce chapitre donne un peu d'information sur le mandat, la sélection et le processus concernant les vérifications et les examens spéciaux.

Chapitre 2 : Accès Î.-P.-É.
Accès Î.-P.-É. offre une prestation centralisée de services aux Insulaires pour de nombreux programmes du gouvernement provincial. Nous avons examiné si Accès Î.-P.-É. possède un cadre de contrôle interne adéquat sur certains risques opérationnels et technologiques. Nous avons également vérifié si Accès Î.-P.-É. a des politiques et procédures en place pour surveiller le rendement et la qualité de ses services et en faire rapport.

Chapitre 3 : Services de santé à l'extérieur de la province
Les coûts pour les services de santé à l'extérieur de la province sont considérables. Ces coûts se produisent lorsqu'un résident de l'Île se trouve à l'extérieur de la province lorsque survient un problème de santé ou lorsqu'un Insulaire doit se rendre à l'extérieur de la province parce que les services dont il a besoin ne sont pas offerts à l'Î.-P.-É. Nous avons vérifié pour voir si Santé Î.-P.É. surveille ces dépenses, assure que les services recommandés aient reçu l'approbation antérieure et administre de façon adéquate les paiements pour les services de santé.

Chapitre 4 : Gestion des sites contaminés
Nous avons examiné si le gouvernement possède l'information et les processus adéquats pour gérer de façon efficace ses responsabilités envers les sites contaminés en conformité à la législation applicable et certaines meilleures pratiques. Nous avons également évalué si la Division de l'environnement du ministère de l'Environnement, du Travail et de la

Justice possède des processus adéquats pour enregistrer les plaintes et les avis reçus concernant de sites contaminés potentiels et pour y répondre.

Chapitre 5 : Radiations et annulations
Conformément à la *Audit Act*, notre Bureau doit faire état du montant total des réclamations, des dettes ou des fonds dus à la province et qui ont été éteints, annulés et/ou libérés en vertu de l'article 26 de la *Financial Administration Act* (loi sur l'administration financière). Nous offrons de discuter et d'analyser cette exigence de rendre compte, cependant notre travail ne constitue pas une vérification.

Chapitre 6 : Introduction aux vérifications financières
Les commentaires d'introduction résument le mandat, les normes et les responsabilités liées aux vérifications financières.

Chapitre 7 : Commentaires sur les indicateurs financiers
Nous fournissons de l'information sur un bon nombre d'indicateurs financiers à partir des états financiers consolidés de la province. Pour l'exercice qui s'est terminé le 31 mars 2014, la province a enregistré un déficit de fonctionnement de 45,9 millions de dollars. La dette nette a augmenté de 59,4 millions de dollars pour atteindre près de 2,1 milliards à la fin de l'exercice.

Chapitre 8 : Comptes publics
Chaque année, nous vérifions les états financiers consolidés de la province. Ce chapitre comprend une opinion de la vérification ainsi que des commentaires, des observations et des recommandations découlant de notre travail.

Chapitre 9 : Compte de crédits et mandats spéciaux
Ce chapitre fournit de l'information sur le compte de crédits et les mandats spéciaux pour l'exercice qui s'est terminé le 31 mars 2014. Nous émettons une opinion en vue d'indiquer si l'argent a été dépensé aux fins pour lesquels les sommes avaient été affectées.

Chapitre 10 : Suivi des recommandations antérieures
À la suite de nos vérifications et examens spéciaux, des recommandations sont faites aux ministères, aux sociétés de la Couronne et aux organismes. Chaque année, nous communiquons avec ces ministères et organismes afin de faire un suivi des mesures prises par rapport aux recommandations ayant découlé des vérifications précédentes. Ce chapitre comprend de l'information sur le statut de la mise en oeuvre des recommandations formulées depuis 2010.

Chapitre 11 : Comité des comptes publics
Le Comité des comptes publics révise le rapport annuel du vérificateur général et joue un rôle important en rendant le gouvernement responsable de la gestion des ressources publiques. Des renseignements sur le comité et sur son examen de notre rapport annuel sont fournis dans ce chapitre.

Chapitre 12 : Bureau du vérificateur général
Ce chapitre offre des renseignements sur le mandat et les responsabilités du vérificateur général. Des renseignements sont également fournis sur les objectifs et les réalisations du Bureau ainsi que sur les ressources, le personnel et les affiliations professionnelles.

REMERCIEMENTS

Je suis heureuse de présenter mon rapport annuel de 2015 à l'Assemblée législative. J'aimerais remercier l'équipe de professionnels dévoués du Bureau pour leur travail ardu, leur professionnalisme et leur appui. Le travail de vérification effectué, les recommandations énoncées pour l'amélioration de la gestion du secteur public et la préparation du présent rapport sont le résultat de leurs efforts. Leur contribution et leur engagement sont essentiels au succès continu du Bureau.

Pour maximiser la contribution du Bureau à l'amélioration de la gestion des ressources publiques, la collaboration des ministres, des sous-ministres ainsi que des hauts dirigeants et du personnel des organismes, des conseils et des sociétés de la Couronne est essentielle. Je souhaite souligner la collaboration reçue dans le cadre des vérifications présentées dans le présent rapport annuel.

SPECIAL AUDITS AND EXAMINATIONS

1. INTRODUCTION TO SPECIAL AUDITS AND EXAMINATIONS

AUDIT PROCESS

1.1 Under the *Audit Act*, the Office may conduct any audit or examination considered necessary to determine whether any agency of government is achieving its purpose, is doing so economically and efficiently, and is complying with applicable statutory provisions.

1.2 The Auditor General has a broad mandate for conducting special audits and examinations. These audits and examinations are objective assessments that assist in determining how well government is discharging its responsibilities. They asses the broader management issues affecting an organization or program and may examine issues such as economy and efficiency, procedures to measure effectiveness, accountability relationships, and compliance with authorities.

1.3 Value-for-money audits or performance audits, are planned, performed, and reported in accordance with standards established by the Chartered Professional Accountants of Canada. There are three distinct phases in value-for-money audits:

- planning;
- implementation; and
- reporting.

1.4 In the planning stage, audit staff obtain a thorough knowledge of the function, organization, or program selected for audit as well as the operational environment. This knowledge is obtained from a variety of sources and is used to develop an audit plan which sets out the audit objectives, criteria, scope, and timing.

1.5 Audit criteria are the standards against which performance is assessed. The criteria are determined by the auditor and are often based on regulations, policies, or other generally accepted sources. Management responsible for the subject matter under audit accepts the suitability of the audit criteria prior to commencement of the detailed audit work.

1.6 During the second, or implementation stage, the auditor gathers sufficient appropriate audit evidence through such procedures as performing tests, reviewing documentation, and interviewing key personnel. The audit evidence is then evaluated and analyzed. In this phase, performance is assessed against established criteria and findings are identified. All findings or observations are discussed with management.

1.7 In the reporting phase, a draft audit report is developed which highlights significant findings and conclusions and includes recommendations to address those findings. Senior management responsible for the audit subject matter is provided with a copy of the draft audit report for review and discussion. At the conclusion of the audit, a final report is issued to the department, Crown corporation, or agency, and a written response is requested from management.

1.8 Due to the complexity and magnitude of government operations, and the limited resources of our Office, we cannot audit all government programs on an annual basis. Our annual audit work plan is based on a number of considerations including:

- the financial magnitude of the entity or program;
- the significance of potential issues;
- the impact of the subject matter;
- complexity of the operations or subject matter;
- results of previous audits;
- our Office resources; and
- timing of previous audit work.

1.9 Some examinations involve verification procedures but are not designed to constitute an audit. These examinations may involve a limited review or analysis of a specific topic or issue.

1.10 The recommendations provided in our reports are intended to address the issues and findings identified. However, it is management's prerogative to select the most appropriate course of action to deal with the issues identified. Our concern is that action is taken to address the issues raised.

2. ACCESS PEI

MAIN POINTS

What we examined

Access PEI is a division of the Department of Fisheries, Aquaculture and Rural Development. It provides centralized service delivery to Islanders for many provincial government programs.

We looked to see whether Access PEI has an adequate internal control framework over selected operational and IT risks. We also looked at whether Access PEI has policies and procedures to monitor and report on the performance and quality of its services.

Audit work for this report was substantially complete as of November 2014.

Why it's important

Access PEI collects approximately $34 million in revenues on behalf of the Government of PEI each year. The revenue collected is in turn used to fund government programs and services. This is a significant amount of revenue and it is important to determine whether the appropriate amounts are collected, recorded, and safeguarded.

Access PEI provides services to both the provincial government and the general public. As a service organization, it is important to have checks and balances in place to ensure it is operating as intended while meeting the needs of its clients.

What we found

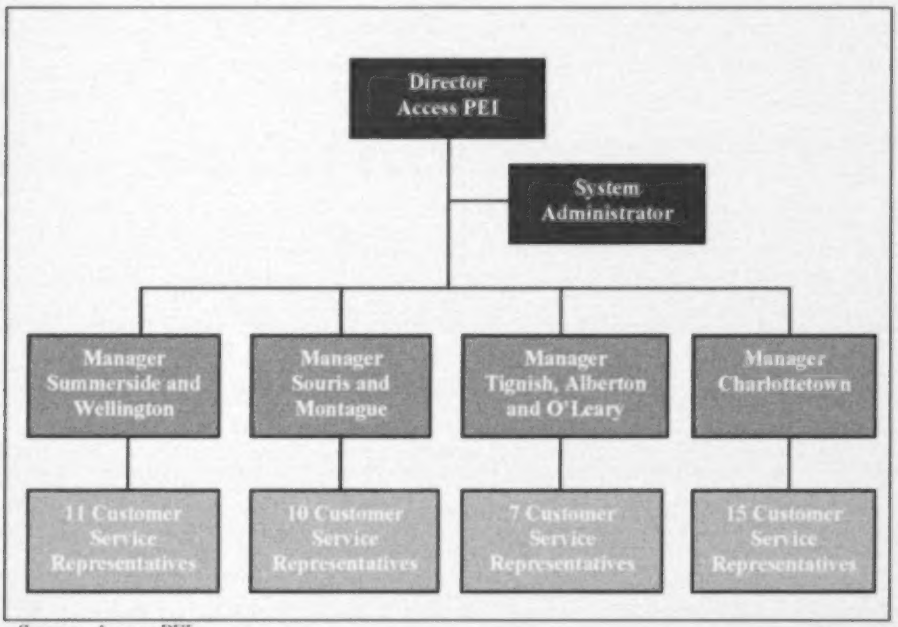
Controls over revenue, cash and inventory are adequate; however, certain information technology (IT) control weaknesses present a risk. Responsibility and accountability for IT controls is unclear and undocumented. There are IT key controls that have not been monitored and are not operating effectively. In addition, user access controls have significant gaps.

Access PEI does not have policies and procedures to monitor and report on the quality of services it provides to Islanders. It does not have service level agreements with the government departments for which it provides services; therefore, responsibility and accountability has not been clearly defined between the various parties. Access PEI does not have service level standards to effectively manage service delivery.

BACKGROUND

2.1 Access PEI is a division of the Department of Fisheries, Aquaculture, and Rural Development and operates eight service centers across the province. Operating expenditures for 2013-14 were approximately $2.5 million. There are 49 full time staff including management and customer service representatives (CSRs). **Exhibit 2.1** provides an organization chart of the Access PEI Division.

EXHIBIT 2.1
ORGANIZATION CHART - ACCESS PEI DIVISION
AS AT MARCH 31, 2014



Source: Access PEI

2.2 Access PEI's purpose is to provide single window access to government services, programs, and information. Its mission is to provide high quality and efficient delivery of provincial government services to Islanders in rural and urban communities. Access PEI is founded on three key principles:

- Taxpayers have a right to good, accessible service.
- Service should be organized to serve the client first.
- The needs of the customer and staff must be balanced.

2.3 Access PEI delivers programs and services on behalf of the Government of PEI. Numerous government services are available at Access PEI including

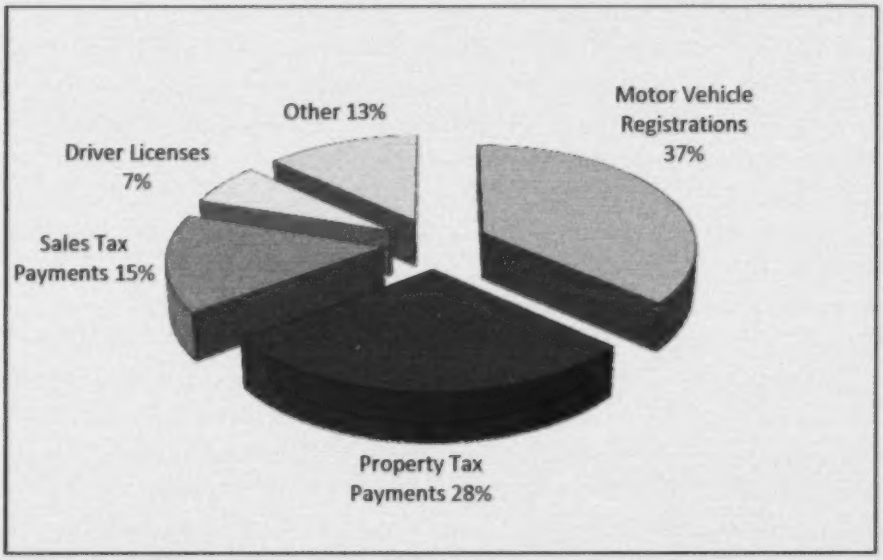
- vehicle registrations;
- driver licenses;
- property tax payments;
- sales tax remittances;

- marriage licenses;
- fishing licenses; and
- information on the availability of government jobs.

2.4 Access PEI also provides government services and information over the telephone and on-line. The most notable on-line service is vehicle registration renewals, but the Access PEI website also provides links to various other provincial programs and services.

2.5 In 2013-14, Access PEI processed over 324,000 transactions totaling approximately $34 million. The services provided by Access PEI broken down by revenue for the fiscal year 2013-14 are presented in **Exhibit 2.2.**

EXHIBIT 2.2
ACCESS PEI
SERVICES BY REVENUE ($)
APRIL 1, 2013 to MARCH 31, 2014



Source: Access PEI

2.6 Access PEI delivers these services on behalf of government, but the responsibility for each service and any related legislation and regulations remains with each respective department. For example, driver licenses and vehicle registrations are the responsibility of the Department

of Transportation and Infrastructure Renewal, Highway Safety Division even though Islanders primarily obtain these services at Access PEI Centres.

2.7 The revenues obtained do not remain within Access PEI but are recorded as revenue of the appropriate department. For most of the services provided by Access PEI, the fees are set by the applicable legislation and regulations. These fees are embedded within the two IT systems used by Access PEI to process transactions.

2.8 The first system used by Access PEI has been in place since 2007 and is called Single Window Access Technology (SWAT). This system identifies clients by using a registered identification number. It is owned by Access PEI and interfaces directly with the second system used, the Driver Vehicle System (DVS). The DVS, which is owned by the Highway Safety Division, is a newly built system that went live on April 1, 2013. It registers and records all information regarding vehicles within the province.

2.9 There are several users external to government that have access to the DVS system in order to perform their duties including the RCMP and municipal police departments.

OBJECTIVES AND SCOPE

2.10 The objectives of our audit were to determine whether Access PEI

- has an adequate internal control framework over selected operational and IT risks; and
- has policies and procedures to monitor and report on the performance and quality of its services.

2.11 The standards against which we measured Access PEI's performance came from various sources including

- Treasury Board Secretariat of Canada's *Guideline on Service Agreements*;
- CCAF's guide on *Auditing the Efficiency of Application Processes for Government Programs or Licenses*;

- Control Objectives for Information and Related Technology (COBIT);
- Information Systems Audit and Control Association (ISACA);
- the Canadian Professional Engagement Manual;
- internal policy documents; and
- various government legislation and regulations.

These standards, or criteria, were reviewed with senior management prior to the commencement of the audit. Management accepted the relevance and suitability of the criteria used in the audit.

2.12 The scope of our audit covered the 12-month period from April 1, 2013 to March 31, 2014. Our audit approach included

- interviews with senior management and staff of Access PEI, Highway Safety Division, and the Department of Finance, Energy and Municipal Affairs;
- testing of selected types of transactions processed at Access PEI during the audit scope period; and
- analysis and testing of selected IT controls in the systems used by Access PEI for processing transactions.

2.13 The scope of our audit did not include testing of the underlying program coding, infrastructure, and security measures such as firewalls and virus scanners of the IT systems used by Access PEI. It also did not assess on-line processing of registration renewals or access to the systems by approved external users.

2.14 We performed our audit in accordance with the standards for assurance engagements encompassing value for money audits established by the Chartered Professional Accountants of Canada and accordingly included such tests and other procedures as we considered necessary in the circumstances.

OBSERVATIONS AND RECOMMENDATIONS

SERVICE LEVEL AGREEMENTS

Access PEI does not have agreements to cover services provided for government departments

2.15 Access PEI delivers provincial government programs and services to the general public on behalf of various departments within government. We expected Access PEI to have a service level agreement with each of the departments for which it provides services or, in other words, where a service relationship exists. Service level agreements are formal agreements between two or more parties that outline the terms and conditions of the service relationship. These agreements enhance governance, accountability, and service quality by clearly defining roles, responsibilities, processes, and performance expectations. Establishing a service level agreement is best practice in any type of client/service provider or collaborative service relationship.

2.16 At the time of our audit, we noted that Access PEI had an outdated agreement with one department and no service level agreements with any of the other departments where a service relationship existed.

2.17 The bulk of services provided by Access PEI, in terms of number of transactions and revenue collected, are provided on behalf of the Department of Transportation and Infrastructure Renewal, Highway Safety Division. The Highway Safety Division is responsible for, among other things, driver licenses and vehicle registrations. A service level agreement was signed between Access PEI and Highway Safety Division in April 2000 highlighting the roles and responsibilities of each party; however, this agreement was never revisited and is now outdated.

2.18 We were informed that Access PEI meets, at least annually, with the various departments to review the services provided including fees and the required documentation to support transactions. We were advised that more frequent communication occurs with the departments that have higher transaction volumes. However, we noted accountability and responsibility for various aspects of the delivery of these services were not clearly defined and accepted by the departments and Access PEI. Lack of clarity over who is responsible and accountable for various aspects of a

service relationship can result in a break down in controls within the service organization.

Recommendation

2.19 Access PEI should ensure service level agreements are signed with each department for which services are provided.

REVENUE, CASH, AND INVENTORY CONTROLS

2.20 Internal controls are a set of procedures that are intended to protect assets, ensure the reliability of accounting information, and improve operational efficiency. We examined internal controls at Access PEI to determine whether procedures are in place to address and mitigate key risks over the management of revenue, cash, and inventory.

Access PEI has policies for revenue, cash, and inventory

2.21 Documented policies are an important component of internal control. These policies provide a resource for staff to follow and a framework for achieving objectives. We expected documented policies to exist for revenue, cash, and inventory at Access PEI. We noted that Access PEI has policies documented for cash handling and inventory management. Access PEI also has detailed manuals for processing revenue generating transactions.

Revenue

2.22 To determine whether internal controls over revenue were operating effectively during our scope period, we conducted audit procedures to assess whether

- duties over the collection and recording of revenues were appropriately segregated;
- fees for services were authorized and accurately recorded in the system; and
- revenues collected agreed to approved fees and were posted to the correct accounts.

Compensating controls are in place to mitigate risks associated with weak segregation of duties

2.23 We visited each of the eight Access PEI sites and interviewed the site managers to gain an understanding of the segregation of duties at each location. Ideally, an appropriate segregation of duties would separate

- custody of assets, i.e. cash;
- recordkeeping;
- authorization; and
- reconciliation procedures.

2.24 Except for the Charlottetown and Summerside sites, Access PEI locations are small and as a result it is difficult for these offices to achieve the appropriate segregation of duties. Customer service representatives are often assigned the responsibility of collecting, recording, and depositing revenue due to the small number of staff at some locations. Therefore, we looked for compensating controls to offset internal control risks. We found Access PEI takes steps to minimize risks through such things as security cameras and daily cash reconciliations.

Service fees collected agree with legislation and regulations and are properly recorded

2.25 We selected a sample of the most common services provided at Access PEI and examined the fees that are embedded in the systems used by Access PEI to process transactions. Fees within these systems were accurate and agreed to the respective approved legislation and regulations.

2.26 We selected 120 transactions to test the revenue collection processes within Access PEI. The sample was randomly selected from the top 10 services provided by Access PEI in 2013-14. We examined each sample item to determine whether Access PEI collected the appropriate fee for the service provided and whether Access PEI recorded the revenue appropriately in the records of the province.

Cash

2.27 To determine whether internal controls were operating effectively over cash and other payment types during our scope period, we performed audit procedures to assess whether

- physical security was maintained over cash;
- accountability was assigned for cash handling procedures; and
- reconciliation and balancing procedures were conducted.

Internal controls over cash are adequate

2.28 We noted that Access PEI's offices maintain good physical security over cash. At each location, accountability has been assigned for cash handling procedures, and daily reconciliation and balancing procedures are conducted.

2.29 As part of our sampling procedures, we traced transactions through to the bank to determine whether payments were deposited. All payments were deposited the next business day after the transaction occurred. No exceptions were noted.

Inventory

2.30 The primary inventory at Access PEI is vehicle registration validation stickers. To determine if internal controls were operating effectively over this inventory during our audit scope period, we performed audit procedures to assess whether

- procedures existed for the distribution of and access to validation stickers; and
- reconciliation procedures were carried out periodically to ensure validation stickers were all accounted for.

2.31 The validation stickers that are affixed to Island license plates are the responsibility of the Highway Safety Division. Access PEI is responsible for distributing these stickers to Island vehicle owners when their vehicle is registered in the province. Controlling this inventory is therefore a joint effort between these two parties.

Registration validation stickers are not regularly reconciled

2.32 We noted that Access PEI and Highway Safety Division have procedures to securely distribute validation stickers to each Access PEI location on an annual basis. When the validation stickers are received at each location, Access PEI managers distribute the validation stickers to each customer service representative and this assignment is recorded within the IT system. As each vehicle registration transaction is processed by a customer service representative, the system automatically selects the next sticker number. Access PEI also secures these validation stickers when not in use to prevent theft.

2.33 Access PEI and Highway Safety Division do not reconcile the validation stickers on hand to the unissued stickers recorded in the system. Reconciliation of the stickers would address the risk that any loss of stickers could go undetected.

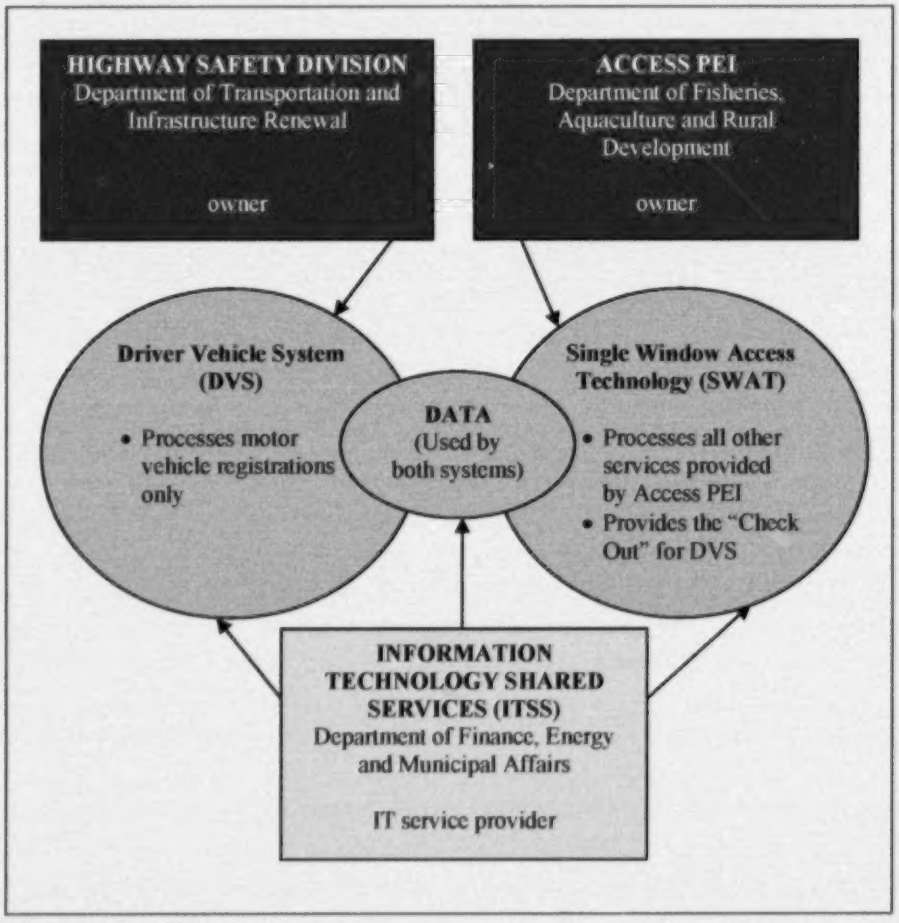
Recommendation

2.34 Access PEI and Highway Safety Division, in conjunction with ITSS, should ensure outstanding registration validation stickers are reconciled on a regular basis.

IT CONTROLS

2.35 There are two IT systems used at the Access PEI sites to process daily transactions: Single Window Access Technology (SWAT) and Driver Vehicle System (DVS). The SWAT system is owned by Access PEI but most of the data used by SWAT is owned by Highway Safety Division. Motor vehicle registrations are processed in DVS but payment for the registration is processed using SWAT. All other transactions are processed through SWAT only. **Exhibit 2.3** depicts this structure.

EXHIBIT 2.3
DVS AND SWAT RELATIONSHIPS


HIGHWAY SAFETY DIVISION
Department of Transportation and Infrastructure Renewal
owner
ACCESS PEI
Department of Fisheries, Aquaculture and Rural Development
owner
Driver Vehicle System (DVS)
• Processes motor vehicle registrations only
DATA
(Used by both systems)
Single Window Access Technology (SWAT)
• Processes all other services provided by Access PEI
• Provides the "Check Out" for DVS
INFORMATION TECHNOLOGY SHARED SERVICES (ITSS)
Department of Finance, Energy and Municipal Affairs
IT service provider

Source: Access PEI

2.36 Information Technology Shared Services (ITSS), which is a division of the Department of Finance, Energy and Municipal Affairs, provides IT infrastructure and operating support for the two systems used by Access PEI. Any programming changes required for these systems are performed by ITSS. In the balance of this report, SWAT and DVS will be referred to as "the systems."

2.37 To determine if IT controls at Access PEI address key IT risks and mitigate these risks effectively, we conducted audit procedures to assess whether

- responsibility and accountability for IT controls are clearly established;
- selected IT controls are used, effective, and monitored regularly; and
- user access to the systems is controlled.

Responsibility and Accountability

There is no agreement to clarify the complex IT relationship between Access PEI, Highway Safety Division, and ITSS

2.38 There is a complex relationship between the owner, operator, and the service provider for the SWAT and DVS systems as reflected in **Exhibit 2.3**. We expected that accountability and responsibility for these systems would be clearly set out. We noted the roles and responsibilities of each party are not documented. As a result, it is unclear in some instances who is responsible and accountable for identifying and executing key controls for SWAT and DVS. When these important roles are not outlined for each party, there is a risk that key controls will not be addressed.

2.39 We were informed during our audit, that Access PEI and Highway Safety Division were developing an agreement with ITSS to clarify responsibilities for these systems.

Recommendation

2.40 Access PEI, Highway Safety Division, and ITSS should develop an agreement which defines the accountability and responsibility of each party in relation to the Single Window Access Technology System and the Driver Vehicle System.

Information Technology Key Controls

Transactions processed within the two key IT systems used by Access PEI are not reconciled

2.41 Because two systems are used for motor vehicle registrations, it is important they be reconciled. An electronic report was developed to reconcile funds recorded in SWAT with those transactions entered into DVS. However, this report was not reviewed by management of either Highway Safety Division or Access PEI. Managers at the Access PEI sites did not have access to this report within the system. We noted that the funds recorded in SWAT were not balanced to the transactions recorded in DVS for the 2013-14 fiscal year and Access PEI could not

explain the variance. At the conclusion of our audit, unreconciled differences between the systems were still being investigated.

2.42 The reconciliation of these two systems is an important control. A reconciliation provides assurance that all vehicle registrations have been paid for and all funds received are supported by appropriately recorded transactions.

Recommendation

2.43 Access PEI should ensure transactions recorded in the Single Window Access Technology System and the Driver Vehicle System are reconciled on a regular basis. Action should be taken to investigate and correct any errors.

Completeness of system data is not being assessed

2.44 It is important to ensure the data in the systems is complete. Assigning sequential numbers to transactions allows management to identify gaps in numbering and therefore identify any loss of data. We noted neither the SWAT nor DVS system uses sequential numbering for transactions. Numbers currently assigned to transactions are for database lookup only; therefore, the completeness of the transactions processed in these systems could not be confirmed using this method.

Recommendation

2.45 Access PEI and Highway Safety Division, in conjunction with ITSS, should ensure numbers assigned to transactions are issued in sequence. The data in the Single Window Access Technology System and the Driver Vehicle System should be periodically reviewed for completeness.

Information for review and follow up of overrides is not readily available

2.46 Any transaction processing system requires a procedure to allow processing of unique or unusual transactions. A key internal control is that the DVS and SWAT systems will prevent a customer service representative from processing these types of transactions without an

independent manager approval. This approval is recorded in the system as a management override.

2.47 During our audit, we examined 30 override requests from each of the DVS and SWAT systems to validate the reason and end result of the override in relation to the original transaction. For DVS, we noted that the override report did not identify and could not be easily linked to the original transaction. With a great deal of effort by management and staff, most of these transactions were located; but, for six overrides we could not locate the original transaction to complete our testing.

2.48 Periodic management review of these overrides is important. With the limited audit trail available within DVS, it is difficult for management to monitor and provide effective oversight.

Overrides are not always reviewed by an independent manager

2.49 We noted the systems required override approvals to be completed by a pre-authorized list of employees, mostly managers. However, the systems did not prevent any of these managers from requesting and approving the same override.

2.50 During our audit testing, we noted a number of override requests that were approved by the same user. We then selected an additional sample of override requests and noted all of them were approved by the same manager that requested the overrides. The overrides approved were appropriate in each circumstance, but this capability undermines the intention of this control and results in an inadequate segregation of duties.

Recommendations

2.51 Highway Safety Division, in conjunction with ITSS, should modify the Driver Vehicle System to allow for efficient investigation and review of management overrides.

2.52 Access PEI and Highway Safety Division, in conjunction with ITSS, should ensure management overrides cannot be requested and approved by the same user.

Logical Access Controls

2.53 Logical access controls are used in IT systems for identification, authorization, and accountability. Essentially, they are the unique usernames and passwords assigned to users that give and/or restrict access to different aspects of an IT system. Sensitive personal information of Island residents is stored on these systems including addresses, certain medical information, and details on license suspensions. Therefore, we expected that

- unique user names and passwords are used to access sensitive data;
- user names and passwords limit access to the systems based on proper segregation of duties; and
- policies and procedures exist to control access to the systems.

Password controls are not followed

2.54 According to guidelines recommended by ITSS, passwords should be updated every 90 days for security purposes. This 90-day policy is also known as an industry standard best practice. We found that the 90-day standard was not followed for either of the systems used by Access PEI.

2.55 For the SWAT system, a password protocol had not been implemented and we were advised SWAT passwords have never been changed. For the DVS system, a password protocol had been implemented consistent with the 90-day rule, but we noted 2 out of 30 users tested had the same password in place for more than 90 days.

2.56 In addition, we found instances of users sharing accounts and passwords, particularly within ITSS. This mitigates the effectiveness of password controls because activity cannot be specifically traced to an individual user.

2.57 We noted that the SWAT system allowed users full "superuser" access to the system through a generic access sign-on available on all workstations. Superuser access includes access to all other user identification, usernames, and passwords as well as access to make changes and alterations to past transactions through a generic username.

2.58 For the scope period of our audit, we performed a search of financial transactions processed and did not find any activity using this

generic sign-on. However, it was noted that Access PEI management and the SWAT administrator had not monitored the user activity. Therefore, the overall risk to the security and integrity of data within the system based on a finding of this nature is significant. After it was brought to their attention, ITSS disabled this generic access.

Recommendations

2.59 Access PEI, Highway Safety Division, and ITSS should ensure a standard password expiry of 90 days is implemented for the Single Window Access Technology System and the Driver Vehicle System. Adherence to password protocols should be monitored periodically.

2.60 Access PEI, Highway Safety Division, and ITSS should ensure that all users within the Single Window Access Technology System and the Driver Vehicle System have individual usernames and passwords.

Granting and removing user access to the systems is not adequately controlled

2.61 The data in these systems is sensitive and only properly authorized users should have access. Further, this access should be restricted to a level required to perform the user's duties. We found the process of granting user access to the systems is informal and is not always documented or formally approved by an appropriate authority.

2.62 We also noted that there are no policies and procedures for removing users from the systems when access is no longer required. We sampled the activity of 30 users within DVS and noted seven of these users no longer required access to the system but these user accounts had not been disabled.

Recommendations

2.63 Access PEI and Highway Safety Division should establish policies and procedures for granting and removing user access to the Single Window Access Technology System and the Driver Vehicle System.

2.64 Access PEI and Highway Safety Division should monitor user activity in the Single Window Access Technology System and the Driver Vehicle System and remove or disable dormant user accounts in a timely manner.

SERVICE LEVEL STANDARDS

2.65 Service level standards are a public commitment to a measurable level of performance that clients can expect under normal circumstances. Service level standards are an important element of managing any type of service organization. They help clarify expectations for clients and employees, enable performance management, and support client satisfaction.

2.66 Access PEI is the service organization for the Government of PEI. As such, we expected that Access PEI

- has service level standards established for the government services it provides to Islanders;
- monitors and reports on the efficiency and quality of the services provided; and
- uses relevant performance information to manage service delivery.

Service level standards have not been established

2.67 We found that Access PEI does not have service level standards established, such as standards for wait times, customer satisfaction levels, and tolerable error rates. Management of Access PEI is therefore unable to effectively monitor and report on the efficiency and quality of the government services it provides to Islanders. Access PEI does not obtain relevant performance information to manage and improve service delivery before problems and/or complaints occur. Access PEI Charlottetown had the only automated ticketing system to allow management to track and analyze wait times. At the time of our audit, reporting and analysis from this system was not being used regularly by management.

2.68 The Department of Fisheries, Aquaculture and Rural Development prepared a strategic plan for the fiscal years April 1, 2011 to March 31, 2014. Within this strategic plan, Access PEI was assigned three strategic goals. The first goal of the Access PEI Division was to improve client satisfaction. A small client survey was conducted by the department

during the scope period of our audit, but as of the date of this report, no other action was taken by the department in relation to this goal.

2.69 After the scope period of our audit, a wait time report for the Charlottetown Access PEI site was prepared. This site had been experiencing longer wait times, particularly in the spring of each year when an influx of seasonal transactions occur. As of the date of our audit report, the Division was reviewing the results of the report and developing recommendations to improve the wait times at this location.

2.70 Implementing service level standards and regular procedures for monitoring and reporting results achieved would provide important information that could be used to improve Access PEI's efficiency and effectiveness. Information gathered from performance measurement would enable management at Access PEI to make more proactive decisions for improving operations at each of its eight locations.

Recommendations

2.71 Access PEI should establish service level standards for the services it provides to Islanders.

2.72 Access PEI should monitor and report performance against established service level standards.

MANAGEMENT RESPONSE

2.73 Our report was provided to management of the Department of Fisheries, Aquaculture and Rural Development as well as the Department of Transportation and Infrastructure Renewal. A number of recommendations will require coordination with ITSS. We will be provided with a written response to our report.

3. OUT-OF-PROVINCE HEALTH SERVICES

MAIN POINTS

What we examined

Out-of-province health service costs are significant. These costs arise either when an Island resident is out of province at the time a health issue occurs or when an Island resident is directed out of province because the services required are not available in PEI.

We looked to see whether Health PEI monitors these expenditures, ensures referred services receive prior approval, and appropriately administers health service payments.

Audit work for this report was substantially complete as of December 2014.

Why it's important

Due to Prince Edward Island's small population and limited resources, a substantial portion of its healthcare services will continue to be acquired outside the province, particularly for highly specialized and complex procedures. Out-of-province health services currently cost the province approximately $46 million annually. It is important for Health PEI to monitor and control these costs.

What we found

Health PEI monitors out-of-province healthcare expenditures, but it has not been proactively managing this significant cost to government. This means there could be cost saving opportunities that have not been fully investigated.

Health PEI's process for approving physician referrals for out-of-province health services requires improvement as we noted a significant proportion of out-of-province claims did not have the required physician referral request.

BACKGROUND

3.1 In accordance with the portability criteria of the *Canada Health Act*, eligible Canadian residents are provided continuing coverage of insured hospital and physician services when temporarily absent from their province/territory of residence or when moving to another province or territory.

3.2 Patients receive care outside of their home province for reasons of travel, education, employment, medical referral, or a recent move. The provinces of Canada have established billing agreements and policies to facilitate the billing and payment of insured hospital and physician services.

3.3 These agreements and policies (collectively known as interprovincial billing arrangements) deal with two distinct services:

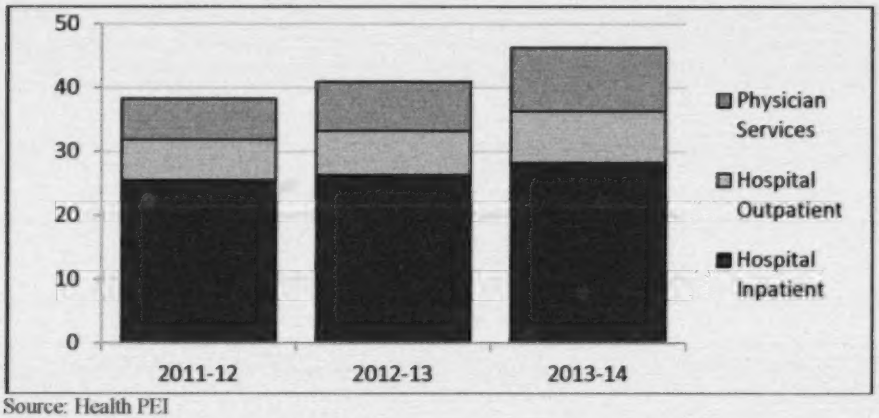
- Hospital Services (inpatient, outpatient, and high cost procedures); and
- Medical Services (physician costs).

3.4 The fees charged for hospital services are established through the interprovincial agreements. The medical costs are billed based on the physician rates paid in the province providing the service.

3.5 There are services which are billed outside the interprovincial agreements where special arrangements have been made. These relate primarily to services based on new technology or medical advancements that were not included when the interprovincial agreements were established in the 1980s. In addition, services provided outside a traditional hospital environment, for example in mental health and addictions residential facilities, are billed outside these arrangements.

3.6 Given PEI's relatively small population, it cannot support the provision of all levels of healthcare services, such as complex specialty services. As a result, PEI regularly sends Island residents out of province to receive these health services. **Exhibit 3.1** provides a breakdown of out-of-province health services expenditures in recent years. For 2013-14, inpatient services were $28 million, outpatient services $8 million and physician services $10 million for a total cost of $46 million.

EXHIBIT 3.1
OUT-OF-PROVINCE HEALTH SERVICES EXPENDITURES
2011-12 to 2013-14
($ Millions)



Source: Health PEI

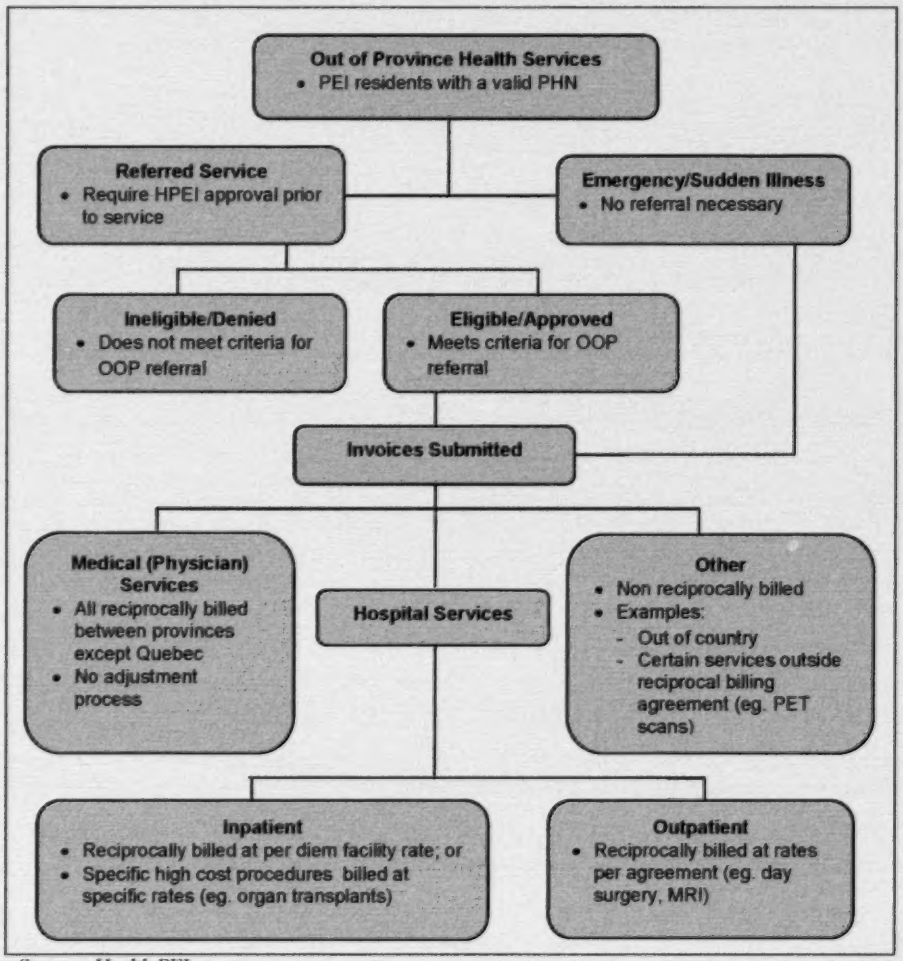
3.7 For PEI, the vast majority of out-of-province healthcare expenditures are for services provided in Nova Scotia. Together Nova Scotia and New Brunswick account for approximately 90 percent of the out-of-province healthcare expenditures.

3.8 **Exhibit 3.2** depicts the administrative processes for managing out-of-province health services. Only services provided for eligible Island residents will be reimbursed by the province. The resident receiving the service must have a valid personal health number (PHN). Where the services provided arise due to an emergency or sudden illness, a referral is not required. Where the illness is a non-emergency, a referral for service from an Island physician is required prior to the services being rendered. These referrals are assessed for eligibility by the program coordinator at Health PEI who consults, when necessary, with the Medical Consultant responsible for out-of-province services. The coordinator assesses the physician referral for compliance with eligibility criteria established in policy.

3.9 After the services are provided, the province providing the service bills Health PEI. For physician services, the rate is set by the province providing the services. The amounts are paid by Health PEI and no adjustments are made under the interprovincial billing arrangements. In

the case of hospital services, the rates are established through the interprovincial agreements. The invoices are paid when received but adjustments may be requested for any claims where the billing rules have not been properly applied.

EXHIBIT 3.2
HEALTH PEI
ASSESSMENT AND PAYMENT PROCESSES
OUT-OF-PROVINCE HEALTH SERVICES


Out of Province Health Services
• PEI residents with a valid PHN
Referred Service
• Require HPEI approval prior to service
Emergency/Sudden Illness
• No referral necessary
Ineligible/Denied
• Does not meet criteria for OOP referral
Eligible/Approved
• Meets criteria for OOP referral
Invoices Submitted
Medical (Physician) Services
• All reciprocally billed between provinces except Quebec
• No adjustment process
Hospital Services
Other
• Non reciprocally billed
• Examples:
- Out of country
- Certain services outside reciprocal billing agreement (eg. PET scans)
Inpatient
• Reciprocally billed at per diem facility rate; or
• Specific high cost procedures billed at specific rates (eg. organ transplants)
Outpatient
• Reciprocally billed at rates per agreement (eg. day surgery, MRI)

Source: Health PEI

3.10 The administration of out-of-province health services is carried out by the Medical Affairs and Diagnostic Imaging Division of Health PEI (Medical Affairs). Processing of payments for these services is carried out

by the Medicare Office of Health PEI's Financial Services and Pharmacare Division (Finance Division).

OBJECTIVES AND SCOPE

3.11 The objectives of our audit were to determine whether Health PEI

- monitored out-of-province health expenditure trends;
- ensured referred out-of-province health services received prior approval; and
- administered billings for out-of-province hospital service expenditures in a manner that respected applicable legislation, policy, and interprovincial billing arrangements.

3.12 The standards against which we measured Health PEI's performance came from applicable polices, legislation and agreements as well as general best practice. These standards, or criteria, were reviewed with senior management prior to the commencement of the audit. Management accepted the relevance and suitability of the criteria used in the audit.

3.13 The scope of our audit covered the 15 month period from April 1, 2013 to June 30, 2014. Our audit approach included

- review of policies, by-laws, legislation, and interprovincial billing arrangements;
- interviews with selected management and staff of Health PEI as well as senior management of the Department of Health and Wellness;
- testing of out-of-province health service referrals;
- testing of out-of-province hospital payments; and
- review of consultants' studies and other analyses.

3.14 We performed our audit in accordance with the standards for assurance engagements encompassing value-for-money established by the Chartered Professional Accountants of Canada and accordingly included such tests and other procedures as we considered necessary in the circumstances.

OBSERVATIONS AND RECOMMENDATIONS

MONITORING OF OUT-OF-PROVINCE HEALTH SERVICES

3.15 Out-of-province health costs are significant and have increased 20 percent over the past two years. Due to its relatively small population and limited resources, PEI will continue to acquire a substantial portion of its health services out of province. For these reasons, we expected Health PEI to monitor out-of-province health services to identify supply and demand issues and cost saving opportunities.

Management of out-of-province health services not proactive

3.16 Health PEI monitors out-of-province health service costs primarily through budgeting exercises driven by the Finance Division. There is quarterly financial reporting to senior management which requires comparison of budget to actual expenditures and an explanation of variances. This would identify unexpected changes to out-of-province costs and may flag areas that require further analysis. In addition to the quarterly process, Health PEI has an annual process to help manage costs and achieve specific budget targets for the entire organization. Through this process, some areas may be identified where possible budget reductions could be achieved in out-of-province health service expenditures. These may or may not be further explored as directed by Health PEI's senior management.

3.17 In addition to this financial monitoring, Health PEI has also hired liaison nurses at the primary hospitals in Nova Scotia and New Brunswick. The role of these nurses is to facilitate appropriate, timely care for PEI patients upon discharge, and to help ensure these patients are transferred back to PEI as soon as medically possible.

3.18 These processes provide some monitoring and contribute to controlling out-of-province health service costs. However, we found that Medical Affairs does not proactively identify and pursue cost savings opportunities for out-of-province health services.

3.19 We noted, for example, that senior management of Medical Affairs did not receive reporting or trend analysis on out-of-province healthcare services usage which would allow follow-up and investigation of changes in volume of services. Visiting specialist clinics are established for some services and were seen as a feasible option for supplementing capacity

available in the province. However, we noted that expansion of visiting specialists clinics had not been actively pursued during our audit scope period.

3.20 Each referral request for out-of-province health services is submitted by a physician and requires the selection of a code to support the referral. These codes are designed to allow analysis of referrals to assist in identifying service capacity issues. Where services are consistently increasing for a particular speciality, and referral codes indicate the services are not available in PEI, circumstances may warrant hiring an additional specialist physician. We found Medical Affairs was not analyzing these referral code trends. Further, we noted that Health PEI had not clearly defined the codes resulting in 90 percent of the referrals being coded to one reason. Health PEI should re-examine its referral fee codes and communicate to physicians the importance of selecting the most appropriate code. This would improve the accuracy of the information and enhance the value of any analysis of referral codes.

3.21 Finally, Medical Affairs did not proactively monitor specialist services with high out-of-province referrals or low in-province service volumes. Cost benefit analysis on specialist services in these situations are generally not conducted. This type of analysis would support decisions on changes to specialist services available in PEI.

3.22 We recognize that there have been very few resources dedicated to the out-of-province health services portfolio; however, with the magnitude and growth in these expenditures in recent years, implementing a more proactive approach to managing these costs is warranted.

Recommendation

3.23 Health PEI should actively seek opportunities for cost savings in relation to out-of-province health services.

PERSONAL HEALTH NUMBERS

3.24 A PEI resident's personal health number (PHN) is the determining factor for a patient's eligibility to receive health services, both in-province and out-of-province. In fact, an eligible PHN is the only system check conducted to validate the vast majority of out-of-province claims for payment. As such, it is important that Health PEI has adequate controls over the management of its PHNs. Otherwise, Health PEI could be paying

for health services for non-residents. A personal health number is identified on each resident's PEI health card.

Residents not required to attest to eligibility requirements on renewal of PEI health card

3.25 It is the practice of Health PEI to renew PEI health cards once every five years. Generally, anyone who has been registered and is ordinarily resident in PEI is considered eligible to receive insured benefits. To maintain eligibility, a person must be present in the province at least six months plus a day in each year.

3.26 In our Office's 2009 audit report, *In-Province Physician Payments*, we examined Health PEI's management of provincial healthcare numbers. In that audit report, we made two recommendations related to the management of PHNs:

- The Department of Health should review the current variance between the number of active PHNs and the population and take appropriate action where possible.

- The renewal forms for a PEI Health Card should state the basic criteria a person must meet to be eligible for medicare coverage on PEI and applicants should be required to confirm that they meet these criteria during renewal.

3.27 Health PEI has taken appropriate action on the first recommendation, but has not taken sufficient action on the second recommendation. As of the date of our audit report, the renewal letters do not outline the eligibility criteria. Explicitly stating the criteria brings it to people's attention. If people renew their health cards and they do not meet the eligibility criteria, Health PEI will be paying for health services of a non-resident.

Recommendation

3.28 Health PEI should amend the renewal forms for PEI health cards to state the basic criteria a person must meet to be eligible for medicare coverage in PEI, and applicants should be required to confirm that they meet these criteria at the time of renewal.

APPROVAL FOR OUT-OF-PROVINCE HEALTH SERVICES

3.29 Prince Edward Island legislation and Health PEI policy clearly outline that out-of-province health services are permitted in the following two scenarios:

- where the services were required because of sudden illness or accident; or
- where prior approval was sought for services that were *not* due to sudden illness or accident.

3.30 This preapproval for out-of-province services is a process established in an attempt to control expenditures. This process helps to ensure that service capacity on PEI is used to its fullest extent and only complex cases or cases where services are not available are referred out of province.

Required approval for out-of-province health services not always obtained

3.31 Health PEI policy outlines situations where out-of-province referred services are eligible for payment. In these cases, the local physician requests a referral on behalf of the patient. Health PEI determines whether a service is eligible and validates the referral request for up to one year.

3.32 Health PEI uses the following criteria to determine whether to approve out-of-province referral requests. The referring physician must explicitly indicate which criteria applies to the referral.

- The insured service is not available within the province (for example neurosurgery or cardiac surgery);
- There exists within Prince Edward Island only one medical practitioner in the required specialty;
- In the opinion of an Island physician and the Medical Consultant of the program adequate service is not available within the province; or
- In the opinion of the Executive Director of Medical Affairs, extenuating circumstances exist and are documented that permit services to be provided in another province or territory.

3.33 In addition to these main criteria, Health PEI policy also dictates additional rules for specific out-of-province services. For example, referrals for addiction treatment must be provided for an accredited facility and these referrals are reviewed by a provincial addictions committee which makes a recommendation to Health PEI for approval.

3.34 Health PEI does not conduct analysis to determine whether physicians are complying with the referral requirements. This is particularly important for claims that are processed under the interprovincial billing arrangements, as these claims are paid with very little scrutiny. We looked at a sample of these types of claims. We found that approximately 50 percent of the claims that should have had a physician referral did not have the required referral submitted.

3.35 We also looked at a sample of claims that were for services not covered by the interprovincial billing arrangements. These types of claims undergo much more scrutiny and our testing confirmed that the preapproval process is working as intended for these claims. All of the claims we tested received prior approval.

Recommendation

3.36 Health PEI should

- **monitor whether physicians are submitting referrals for out-of-province health services; and**
- **take appropriate action to ensure policies are followed.**

Policies need clarification

3.37 During our audit, we noted several areas where Health PEI's out-of-province health services policies could be clarified. As more sub-specialties emerge, demand for out-of-province services will continue to increase. Health PEI needs an improved policy framework to deal with these requests to ensure fair and consistent treatment of requests for service. The following paragraphs highlight some examples noted during our audit. Health PEI staff advised at the end of our audit that its policy and procedures manual was undergoing a detailed review.

3.38 Health PEI staff explained that if a PEI resident is seen by a specialist off-Island, and the initial visit was an emergency, there is no need for additional referral requests. However, if the initial visit was not an emergency, any follow up visits would require another referral. We noted that this policy was not documented.

3.39 Health PEI policy explicitly addresses referrals for out-of-province residential addictions treatment but it does not reference residential mental health treatment. Further, in practice, the approval process established by Health PEI to access mental health services is not as robust as the process to access out-of-province addiction services.

3.40 We noted that Health PEI policy on accessing out-of-province addictions treatment does not differentiate between the referral processes for adult and youth services. We were advised that in practice the referral processes are different for these two patient groups.

3.41 Health PEI policy does not address the use of out-of-province private clinics, although we noted that some referral requests were denied for that reason. Health PEI staff advised that, although the denial letters quoted the use of a private clinic as the rationale for denying the request for service, the actual reason was because the service itself was uninsured (cosmetic surgery, for example). Health PEI has advised that denial letters have been revised accordingly.

3.42 In an effort to reduce the high cost of hospital care, there is a trend to provide more patient health services under alternate arrangements such as care provided in a non-hospital setting. The interprovincial billing arrangements are specific to hospital care only. Health PEI has been dealing with these situations on an as needed basis. Health PEI staff advised that they were working on a policy for these types of alternate care arrangements.

Recommendation

3.43 Health PEI should clarify policies for out-of-province health services.

ADMINISTRATION OF OUT-OF-PROVINCE INPATIENT AND OUTPATIENT PAYMENTS

3.44 The vast majority of out-of-province hospital claims are invoiced to Health PEI through the interprovincial billing arrangements. For these, Health PEI receives monthly bills from each province. Separate bills are received for inpatient and outpatient services. The claims data on these invoices, which can be extremely lengthy, is manually entered in the province's medicare system in the history of each patient's respective file. The invoices are paid in full. The billing arrangements allow for subsequent adjustment requests under certain circumstances. Health PEI has only sought payment adjustments for ineligible PHNs.

3.45 Out-of-province health claims billed outside the interprovincial billing agreements undergo much more scrutiny and verification than do those claims that are billed reciprocally. As mentioned previously, the only verification conducted on reciprocally billed out of province health claims is an automatic system check for a valid PEI personal health number (PHN).

3.46 We looked at a sample of 90 out-of-province hospital claims to determine whether the transactions were properly verified prior to payment. Sixty of the sample items were billed through the interprovincial billing arrangements and 30 were billed outside the interprovincial billing arrangements.

3.47 For our sample of claims, we looked to see whether

- the rates charged were in accordance with the applicable agreement;
- the charges invoiced met key terms and conditions of the applicable agreement;
- the invoices received proper authorization in accordance with Health PEI's delegation of signing authority; and
- the claim data was accurately entered into the patient's file in the medicare system.

Contractual arrangements undefined

3.48 For services billed through interprovincial agreements, we found that the rates charged by the provider provinces were consistent with the interprovincial billing rates that were in effect at the time of service. For services that fell outside the interprovincial agreements, such as positron

emission tomography (PET) scans and mental health and addiction facilities, there were agreed upon rates; however the terms and conditions relating to these services were not formally documented. Both Health PEI and the Department of Health and Wellness advised that they were working on formalizing agreements for certain services and further efforts are required in this area.

Key requirements of interprovincial billing arrangements not verified

3.49 Given that over $42 million was paid in 2014 through the interprovincial billing agreement processes, we expected that Health PEI would have procedures to ensure key billing clauses of these agreements were met. For example we expected

- no duplicate claims;
- limit of one outpatient claim per patient per day; and
- no outpatient claims while a person is also an inpatient (except for on the days of admission and discharge).

3.50 We found that Health PEI did not conduct system checks to identify ineligible claims. Instead they relied on the system checks of the provider provinces for ensuring key billing clauses were met. Further, our work uncovered instances where Health PEI was billed for more than one outpatient claim for a patient on the same day.

3.51 For our sample items, claim data was accurately entered into the system and the invoices received proper authorization prior to payment.

Recommendations

3.52 Health PEI should identify arrangements for out-of-province health services that warrant formal documentation of terms and conditions. Where warranted, arrangements should be formalized.

3.53 Health PEI should establish internal control procedures to ensure claims for out-of-province hospital services meet the key requirements of the interprovinical billing agreements.

Method of recording data is inefficient

3.54 We noted that the interprovincial invoices for health services are large documents with thousands of rows of patient claim data. Health PEI staff are required to manually input the invoices into PEI's medicare system. This requires an extensive amount of time and increases the risk of human error. For example, one invoice we examined was for two months of outpatient services and was almost 700 pages in length. We were advised that Health PEI is working with the provinces through a national working group to coordinate efforts to send data electronically. This is an area where administrative time could be reduced.

Recommendation

3.55 Health PEI should work to obtain out-of-province billing information electronically, especially from the two provinces that provide the majority of the out-of-province health services accessed by Island residents.

MANAGEMENT RESPONSE

3.56 Our report was provided to Health PEI and the Department of Health and Wellness. A written response will be provided.

4. MANAGEMENT OF CONTAMINATED SITES

MAIN POINTS

What we examined

A contaminated site is one where a substance occurs in a concentration that exceeds the maximum acceptable amount under an environmental standard and therefore could have an adverse effect on human health and the environment.

We looked at whether government has adequate information and processes to effectively manage its responsibilities for contaminated sites in accordance with applicable legislation and selected aspects of best practices. We also assessed whether the Environment Division of the Department of Environment, Labour and Justice has adequate processes for recording and responding to complaints and notifications received concerning possible contaminated sites.

Audit work for this report was substantially complete as of October 2014.

Why it's important

The Department of Environment, Labour and Justice is responsible through the *Environmental Protection Act* to protect the environment and, when contaminated sites are identified, to take action necessary to contain or mitigate further risks. Where these responsibilities are not fulfilled, there can be serious impacts. In addition to unsafe exposures to human health and the environment, unremediated contaminated sites can have economic impacts. With the Island's three key industries of agriculture, tourism, and fisheries heavily dependent on a healthy, pristine environment, inadequate management of contaminated sites can have long-term implications for the economy. Government owns a number of known or suspected contaminated sites and the cost to assess, contain and/or clean up contaminated sites could be significant.

What we found

A complaints and notification process has been implemented by the Environment Division. There were instances where sufficient information was not recorded to determine whether appropriate action had been taken to address the complaint. In addition, we noted there is no process to ensure required reports from site professionals are received on a timely basis.

The Department of Environment, Labour and Justice is aware of some known and suspected contaminated sites that have not had a risk assessment and enforcement action has not been taken. These are abandoned landfills. A complete listing of known or suspected contaminated sites for which government is responsible has not been compiled. The Department of Transportation and Infrastructure Renewal is the owner of a number of these sites but many have not been assessed to determine whether there is contamination as well as any public health and safety risks. Without appropriate identification and assessment of these sites, decisions on the required remediation or clean up work cannot be made. Consequently, the liability for future resources required to conduct this work has not been determined.

BACKGROUND

4.1 A contaminated site is a site where a substance is present at concentrations that exceed an acceptable environmental standard and therefore poses an existing or imminent threat to human health or the environment. The *Environmental Protection Act* mandates the Department of Environment, Labour and Justice to take action necessary to manage, protect, and enhance the environment and environmental health. The *Contaminated Sites Registry Regulations* indicate the types of sites to be included in the Registry as inactive landfills, inactive construction and demolition debris disposal sites, and other sites posing specific environmental risks as determined by the Minister of Environment, Labour and Justice. For the purpose of our audit, we refer to these sites collectively as contaminated sites.

4.2 Management of contaminated sites involves identifying the suspected sites, conducting environmental site assessments to determine

the nature and extent of the contamination, and remediating these sites where necessary.

4.3 Identification of contaminated sites can occur in several ways. Contaminated sites are often associated with industrial and waste disposal actions which may contaminate surrounding lands. Therefore, sites may be identified from an understanding of the nature of the prior use of the land. Contaminated sites may also be identified from a site investigation pending a property sale or transfer, or as a result of complaints or notifications of spills or other unintended release of contaminants into the environment.

4.4 When a site is identified, an environmental site assessment (ESA) should be conducted. An ESA is a study of a property's past use, the environmental conditions at the site and adjoining sites, and the likely presence of contaminants. ESAs are used to identify the nature and degree of suspected or known contamination and are carried out by licensed site professionals.

4.5 Remediation is the action taken to improve a contaminated site in order to prevent, minimize, or mitigate damage to human health or the environment. It involves the development and application of a planned approach that contains, removes, destroys, or otherwise reduces contaminants. The approach to remediation depends on a number of factors including the intended future use of the land. For example, the remediation efforts required to restore land to agricultural purposes is much more extensive than to restore the same land to industrial use.

4.6 In general, responsibility for cleanup of contaminated sites is based on the "polluter pays" principle in which the party responsible for the contamination is responsible for the cleanup and the associated costs. Land owners who cause contamination, either through neglect or accident, are responsible to pay for the cleanup costs within a reasonable period of time.

4.7 The Environment Division of the Department of Environment, Labour and Justice is responsible under the authority of the *Environmental Protection Act* to ensure contaminated sites in the province are appropriately managed. The Environmental Land Management Section is one of seven sections within the Division and is responsible for a range of

programs including matters related to known and suspected contaminated sites. The total expenditures for this section were $756,000 for 2013-14. The section has ten employees including two technicians that work with the Environmental Regulatory Coordinator and have responsibilities for the contaminated sites program.

4.8 To conduct its work, the Environment Division maintains a Contaminated Sites Registry, administers a complaints and notifications process to respond to issues as they arise, and is to be notified when contaminated or suspected contaminated sites are transferred to a new owner.

OBJECTIVES AND SCOPE

4.9 The objectives of our audit were to determine whether

- the Environment Division of the Department of Environment, Labour and Justice has adequate processes for recording and responding to complaints and notifications received concerning possible contaminated sites; and
- government has adequate information and processes to effectively manage its responsibilities for contaminated sites in accordance with applicable legislation and selected aspects of best practice.

4.10 The standards against which we assessed performance were drawn from numerous sources: legislation, including applicable sections of the *Environmental Protection Act*, the *Contaminated Sites Registry Regulations* and the *Petroleum Hydrocarbon Remediation Regulations*, as well as identified best practices such as guidance from the Canadian Council of Ministers of the Environment. These standards, or criteria, were reviewed with senior management prior to the commencement of the audit. Senior management accepted the relevance and suitability of the audit criteria.

4.11 We reviewed all contaminated sites added to the Contaminated Sites Registry in 2013-14. We reviewed a sample of complaints and notifications that were received by the Department of Environment, Labour and Justice between April 1, 2013 and March 31, 2014. We looked to see whether there were adequate processes for documenting and

responding to the complaints in a timely manner. We also assessed whether adequate management review processes were established and carried out testing on open complaint files.

4.12 We examined the processes for managing the risks related to known and suspected contaminated sites for government owned sites and sites for which government has accepted responsibility. We did not conduct work to ascertain whether any specific sites were contaminated.

4.13 In addition to detailed testing, our audit approach included

- review of applicable legislation;
- review of industry guidance documents; and
- interviews with senior management of the Department of Environment, Labour and Justice; the Department of Transportation and Infrastructure Renewal; and Island Waste Management Corporation.

4.14 We performed our audit in accordance with the standards for assurance engagements encompassing value-for-money audits established by the Chartered Professional Accountants of Canada and accordingly included such tests and other procedures as we considered necessary in the circumstances.

OBSERVATIONS AND RECOMMENDATIONS

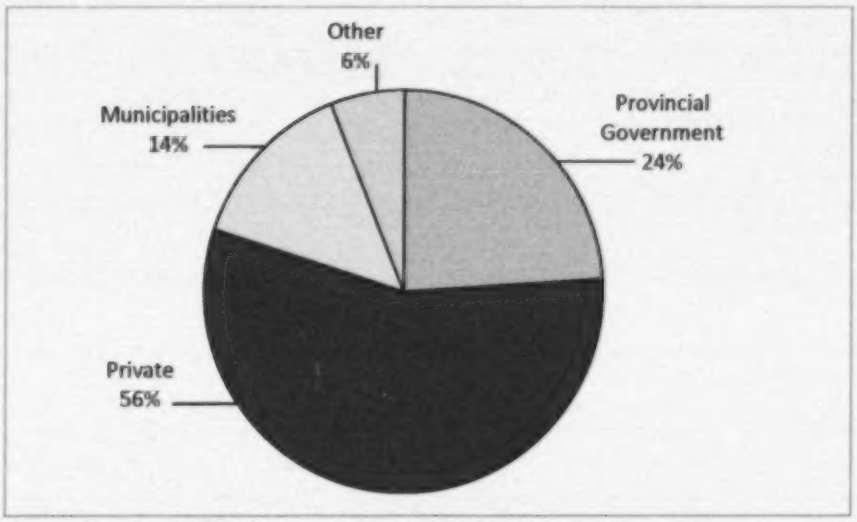
CONTAMINATED SITES REGISTRY

4.15 Under the *Environmental Protection Act* the Minister is required to establish a Contaminated Sites Registry (the Registry). The *Contaminated Sites Registry Regulations* set out the criteria used to determine which sites are to be added to the Registry. These criteria include former landfills and construction and demolition debris disposal sites as well as any additional sites designated by the Minister. The Minister designates certain sites where

- the extent of contaminants exceed maximum allowable concentrations as prescribed in applicable guidelines; or
- a risk assessment report identifies an unacceptable risk that is not sufficiently mitigated through a risk management plan.

4.16 The Registry is accessible to the public and includes basic information on each site including the parcel identification number, the date the site was entered into the Registry, and the boundaries of the contaminated area. The Registry is important to inform the public of the location of these sites and is especially useful when ownership of the property or adjoining property is transferred. **Exhibit 4.1** provides information on the 101 properties listed on the Contaminated Sites Registry. The 24 provincial government owned sites consist of 20 former landfills, one construction and demolition debris disposal site, and three other sites.

EXHIBIT 4.1
CONTAMINATED SITES REGISTRY
OWNERSHIP OF SITES
AS OF MARCH 31, 2014



Source: Department of Environment, Labour and Justice

The Contaminated Sites Registry is not complete

4.17 We expected the Contaminated Sites Registry to be complete and include all contaminated sites as outlined in the regulations. Staff of the Environment Division advised that all known landfills meeting the definition in the regulations should be added to the Registry. We were provided with a summary by county, prepared by the Department of Transportation and Infrastructure Renewal (TIR), which included 68 former landfills. However, there were only 45 former landfills listed on the Contaminated Sites Registry. TIR could not provide information on which specific sites were included in its summary and therefore, we could not determine whether the 45 landfill sites on the Contaminated Sites Registry were part of, or in addition to, the information provided by TIR.

4.18 Where contaminated sites meet the criteria established in the regulations, we expected the Department of Environment, Labour and Justice to add them to the Registry in a timely manner. We reviewed the seven sites which were added to the Registry between April 1, 2013 and March 31, 2014. We noted that one property was designated as contaminated in 2009 but was not added to the Registry until over four years later, in late 2013.

Recommendation

4.19 The Department of Environment, Labour and Justice should ensure that all contaminated sites are added to the Contaminated Sites Registry in accordance with the *Environmental Protection Act* and regulations.

COMPLAINTS AND NOTIFICATIONS

4.20 The *Environmental Protection Act* requires that all persons who, without permission, discharge a contaminant into the environment or own or control a contaminant which has been discharged into the environment shall immediately notify the Department of Environment, Labour and Justice. The Department receives hundreds of complaints or notifications annually regarding cases of actual or suspected contamination across the province. These complaints and notifications are tracked through a database called the Complaint Management System (CMS).

4.21 We expected that the Environment Division of the Department of Environment, Labour and Justice would have processes for documenting and recording complaints and notifications of possible contamination, that the complaints and notifications would be addressed in accordance with applicable legislation and regulations, and on a timely basis. These processes are critical to meeting the Ministry's responsibilities under the *Environmental Protection Act*.

Internal policies on complaints and notifications are lacking

4.22 Although guidance is available for the technical aspects of the work involved with these complaints, there is no guidance on management's expectations for handling of complaints and use of the database.

4.23 For example, we expected a policy for prioritizing the complaints and notifications received. Such a policy would discuss various common situations and address key criteria to be used in determining a priority level. Based on these considerations, a priority level would be assigned which would drive the response time and resources allocated.

4.24 We were advised that staff use their professional judgement when deciding how to respond to specific complaints and notifications. Information from the complainant is gathered and staff use that information to decide how quickly to respond or whether a site visit is necessary. The factors used to make these decisions are often not documented. This could lead to inconsistencies in dealing with similar complaints or delays in responding to complaints.

4.25 To ensure there is sufficient information available for effective management of the program, we expected the information recorded in the CMS to include at a minimum: location of the site, general condition of the site, nature and extent of contamination, as well as the date of each site visit. We tested a sample of 30 complaints and notifications received by the Environment Division between April 1, 2013 and March 31, 2014.

4.26 There were a number of cases where, based on the nature of the complaint, a site visit would be expected. We noted that site visits were not consistently documented. Therefore, we could not determine whether the site visits occurred.

4.27 Effective management of a complaint and notification system requires tracking and monitoring of the lapsed time from date of complaint to date of first response and from date of complaint to date of file closure or completion. This information is important to help ensure complaints and notifications are addressed in a timely manner.

4.28 Although the date of receipt of the complaint is recorded, we noted that the date of file closure is not routinely recorded in the system. In addition, the date of last site visit is not consistently recorded. Therefore, we were unable to determine from the CMS the time lapsed from receipt of the complaint or notification to when, or if, it was completely dealt with by staff.

Recommendation

4.29 Management of the Environment Division should develop an internal policy to guide staff in addressing complaints and notifications. This policy should include at a minimum:

- **a process for prioritization of complaints; and**
- **key data to be recorded in the Complaint Management System.**

4.30 When a site is contaminated and is being remediated, the responsible party, usually the owner, must submit a Remedial Action Plan (RAP) which includes timelines for monitoring and clean up. Remedial Action Plans are prepared by site professionals working on behalf of the responsible party and these plans must be approved by the Department of Environment, Labour and Justice prior to implementation. The site professionals assess, monitor, and oversee the remediation of the sites and provide reports to the Environment Division. These reports document the work completed, findings, and recommendations related to the site in accordance with the RAP. The Environment Division reviews these reports to determine whether a site requires additional work or should be added to the Contaminated Sites Registry.

There is no process to ensure reports due from site professionals are received

4.31 We expected that the Division would track when assessment reports were due from site professionals. These assessment report timelines are noted in the RAP and we expected the Division would monitor these dates to ensure work was being completed in accordance with the plan. We noted that there was no process to track the dates that reports were expected. We were advised that Division staff follow up with site professionals if they notice a report was expected but not received, but there is no procedure to ensure follow up occurs in an appropriate timeframe.

4.32 During our audit, we noted the required reports for a property with a significant oil spill had not been received by the Environment Division from the site professional in accordance with the RAP. The Division staff did not follow up until it came to their attention in conducting work on an adjacent property approximately 1.5 years after the RAP had been approved. This site was subsequently added to the Contaminated Sites Registry.

Recommendation

4.33 Management of the Environment Division should implement procedures to ensure required reports from site professionals are obtained and reviewed on a timely basis.

There is insufficient information to support the work completed on complaints and notifications

4.34 We expected management to regularly obtain and review information on open cases to ensure that required action is completed on a timely basis. For each of our sample of 30 complaints and notifications, we reviewed information to determine whether the system reflected the appropriate current status of the file. Within CMS, cases still being worked on are referred to as "under investigation" and when dealt with are referred to as "closed."

4.35 We noted three instances in our sample of 30 where a complaint had been assigned an incorrect status in CMS. In each of these cases the complaint still had the "under investigation" status although the work had been completed.

4.36 We noted there were many complaints and notifications in CMS which were noted as "under investigation." We obtained a report on all "under investigation" complaints that were more than 18 months old at the time of our audit. We noted there were 286 files which had been open for an extended period of time, beyond 18 months.

4.37 We selected a sample of these complaints and notifications to examine whether the required work had been completed and the file should have been closed or whether the required work had never been completed. For approximately 26 percent of the sample items, we were unable to determine, based on the information available, whether required action had been taken. Management could not provide any additional documentation and in some cases staff members assigned to these cases were no longer employed with the Division.

4.38 The Environment Division is not actively managing all open cases and closing cases on a timely basis as work is completed. The information in the system is not current and accurate which compromises the usefulness of the system for management decision making.

Recommendations

4.39 Management of the Environment Division should review the backlog of open complaints and notification files and ensure appropriate action is taken on each file.

4.40 Management of Environment Division should regularly monitor open complaint and notification files and ensure they are addressed in a timely manner.

Management is not reviewing files for quality control purposes

4.41 We expected that management would review complaints and notifications files that were closed by technicians to ensure the complaints were appropriately addressed in accordance with applicable regulations.

We expected this quality assurance procedure would be completed on at least a sample basis.

4.42 We found there is no process for management to regularly review files to ensure appropriate action was taken. However, we noted that for complaints and notifications involving reports submitted by site professionals, these reports are reviewed by management.

Recommendation

4.43 Management of Environment Division should implement a process to review action taken by staff in addressing complaints and notifications.

MANAGEMENT OF GOVERNMENT OWNED SITES

4.44 The government of Prince Edward Island is the largest landowner in the province. Title to government property is held primarily by the Department of Transportation and Infrastructure Renewal (TIR) but some property is owned by a number of Crown corporations. The *Public Works Act* gives the Minister of TIR responsibility for the care and management of all Crown land and buildings. Because of this, TIR has responsibilities related to government owned sites that are contaminated or suspected to be contaminated.

4.45 We expected an action plan to be developed for dealing with the contaminated and suspected contaminated sites owned by government. Such an action plan would require the following key steps:

- compile an accurate and complete listing of all sites owned by government that are known or suspected to be contaminated;
- complete ESAs on these sites to determine the extent of contamination; and
- identify and prioritize sites requiring remediation based on risk.

There is no complete listing of government owned sites that are known or suspected to be contaminated

4.46 There are a number of government owned contaminated sites that are listed on the Contaminated Sites Registry. These sites include some former landfills as well as other sites. During our audit, we requested a listing of any additional contaminated or suspected contaminated sites

owned by government. We were provided with several listings of suspected contaminated sites but these lists were not consistent. We found many instances where sites such as abandoned landfills were on one listing and not another. During our audit, a committee was formed with representatives from two departments and a government agency to establish a comprehensive listing of contaminated and suspected contaminated sites for which government is responsible. As at the completion of our field work, we had not been provided with the listing.

4.47 There are a number of former community dumps and landfills that are owned by community based organizations. We were advised that government has accepted responsibility for some of these sites. However, there is no complete listing of sites for which government has accepted responsibility. In the remainder of this section of the report, where we reference government owned sites, we are referring to both government owned sites and sites for which government has accepted responsibility.

Environmental site assessments have not been completed to determine environmental risks

4.48 There are various levels of environmental site assessments (ESA) which may be completed to determine the extent and severity of contamination at a site. These are carried out by qualified site professionals who are licensed engineers or geoscientists.

4.49 An ESA, Phase I, is completed to gather all available historical and current information on the site to help develop a field testing program if needed. This involves a review of data such as previous land uses, surrounding land uses, physical site characteristics, proximity to water courses, as well as numerous other considerations.

4.50 A Phase II Assessment is completed if Phase I indicates likely contamination at a site. This phase usually involves soil testing and groundwater monitoring. A Phase III Assessment is necessary for sites where significant contamination exists and more detailed testing and analysis is required due to the nature of the contaminants and/or the site characteristics.

4.51 We expected that environmental site assessments would be conducted as required on any contaminated and suspected contaminated

sites. These assessments at the appropriate level are needed for government to understand the risks associated with the sites and to determine the steps needed to mitigate these risks to human health and the environment.

4.52 The Contaminated Sites Registry includes six government owned sites that have had environmental site assessments and remediation work completed. However, for the majority of government owned contaminated and suspected contaminated sites, ESAs have not been completed. Therefore, the required remediation work has not been determined.

4.53 Under the *Environmental Protection Act*, the Department of Environment, Labour and Justice has broad powers to enforce the legislation whether the property owner is a government, corporation, or an individual. The Minister may issue an environmental protection order to require the owner of a suspected contaminated site, at its own cost, to have an environmental site assessment conducted and take whatever action is necessary to clean, repair, and restore the site to an acceptable level. Where the landowner does not complete the work, the Department can have the work conducted and place a judgement against the property.

4.54 We noted the Department of Environment, Labour and Justice is aware there are government owned sites and sites for which government has accepted responsibility where contamination is suspected but they have not been assessed. In these instances, the Department has not exercised its authority under the Act to require appropriate action.

4.55 As the critical steps to identify and assess sites have not yet been completed, the extent of remediation work required and an estimate of the cost has not been determined.

Recommendations

4.56 The Department of Environment, Labour and Justice should ensure that contaminated and suspected contaminated sites owned by government are identified. This should also include sites for which government has accepted responsibility.

4.57 The Department of Environment, Labour and Justice should ensure that all government owned contaminated or suspected contaminated sites

- **have required risk assessments completed;**
- **are prioritized based on risk; and**
- **have any required remediation work identified.**

4.58 The Department of Transportation and Infrastructure Renewal should determine, where required, the cost to close, monitor, and complete remediation work on sites owned by government and sites for which government has accepted responsibility.

MANAGEMENT RESPONSE

4.59 Our report was provided to the Department of Environment, Labour and Justice as well as the Department of Transportation and Infrastructure Renewal. A written response will be provided.

5. WRITE-OFFS AND CANCELLATIONS

OVERALL COMMENTS

The Auditor General has a statutory obligation under the *Audit Act* to report annually on the write-off and cancellation of any claims, obligations, or debts due to the province which are authorized under section 26 of the *Financial Administration Act* (FAA).

Authorization of write-offs and cancellations of debts and obligations due to the province is an important financial control. Section 26 of the *Financial Administration Act* outlines an authorization process for write-offs and cancellations. This process results in a publicly available record which promotes transparency and accountability.

Although section 26 of the *Financial Administration Act* has not changed, we noted that practices have changed over the last decade. This occurred due in part to legislative changes outside the *Financial Administration Act* as well as different interpretations of legislative requirements. This has led to inconsistencies in the process of seeking authorizations on write-offs and cancellations and points to a need to re-examine the control framework.

We raise this issue because our Office has a reporting responsibility linked to Section 26 of the FAA. The Auditor General wants to ensure that members of the Legislative Assembly and Islanders are aware that reporting under the *Audit Act* does not provide disclosure of all amounts due to the province that were written off or cancelled.

REPORTING REQUIREMENT

5.1 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, debts, or monies due to the province that have been discharged, cancelled, and released under Section 26 of the *Financial Administration Act* (FAA).

5.2 For the year ended March 31, 2014, the amount cancelled or discharged under Section 26 is detailed in **Exhibit 5.1**.

EXHIBIT 5.1
AMOUNTS CANCELLED OR DISCHARGED
YEAR ENDED MARCH 31, 2014

	Cancellations Section 26 (1)	Write-offs Section 26.1 (1)
Revenue Tax Act	$ -	$ 669,094
Social Assistance Act	108,957	406,495
Real Property Tax Act	146,045	-
Environment Tax Act	-	1,118
Department of Finance, Energy and Municipal Affairs	1,487	-
Department of Community Services and Seniors	-	7,003
Health PEI	-	130,770
PEI Housing Corporation	-	6,206
PEI Agricultural Insurance Corporation	3,701	62,129
	$260,190	$1,282,815

5.3 Each year, our Office compiles and reports the write-offs and cancellations authorized through this section of the FAA. This year, we have chosen to provide discussion and analysis to ensure readers are aware of the limitations and constraints to our reporting. For example, readers should know that some write-offs and cancellations are not required to go through this section of the FAA, and as such, would not be reflected in our annual reporting under the *Audit Act*. Further, in recent years, our Office has identified inconsistencies with how some departments and Crown corporations have been obtaining authorization for the write-off and cancellation of debts due to the province.

5.4 This discussion of our Office's reporting requirement is designed to provide information to readers regarding the application of legislation, regulations, policies, and practices and does not constitute an audit. Further in this chapter, we are not concluding on compliance with the *Financial Administration Act*.

BACKGROUND

Requirements and Definitions

5.5 Section 26 of the *Financial Administration Act* states that

- The Lieutenant Governor in Council may authorize the *cancellation*, in whole or in part, for payment of, any claim, obligation, tax, debt or money due to Her Majesty; and

- The Lieutenant Governor in Council may authorize the *write-off*, in whole or in part, of any claim, obligation, tax, debt, or money due to Her Majesty.

5.6 A *write-off* is where an amount owed to the province is removed from the accounting records, but the borrower remains legally obligated to pay the debt. In contrast, a *cancellation* removes the legal obligation.

5.7 Where Lieutenant Governor in Council approval is required, an Order-in-Council is issued as documentation of the approval. Orders-in-Council are publically available documents. This authorization framework allows for transparency in that the public would have access to information on the write-offs and cancellations of amounts due to the province where they are authorized by Order-in-Council. The Auditor General's reporting in the Annual Report highlighting these write-offs and cancellations further contributes to the transparency and accountability for these transactions.

5.8 Debts to the province could be owed to a department, agency, or Crown corporation. Examples of these types of debts include property or sales taxes receivable, accounts receivable, and outstanding loans receivable.

5.9 When there is no further expectation of collection, and the amount of the loss can be determined, the debt should be written off and removed from the accounting records. In some cases, based on the circumstances, the debt may be cancelled entirely.

OBSERVATIONS

Practices Have Changed

5.10 Prior to 2005-06, departments and Crown corporations consistently sought approval of the Lieutenant Governor in Council for the write off and cancellation of accounts and loans receivable. In the submissions prior to 2002, the specific debtors would be identified by name in the resulting Order-in- Council. This resulted in a high level of transparency as the amounts and the names of these businesses and individuals were publically available. In 2014-15, this continues to be the practice for general accounts receivable balances. For example, individuals and businesses and the related amounts are listed in the Orders-in-Council authorizing sales tax and property tax write-offs.

5.11 In 2002-03, government lending organizations ceased the practice of detailing the individual debtor, but continued to seek authorization to write off a lump sum balance. After 2004-05, lending organizations did not consistently seek Order-in-Council approval; the last submission was in 2006-07. Since that time, these lending agencies have not sought authorization for a write-off or cancellation through an Order-in-Council.

WRITE-OFFS

5.12 Many departments and Crown corporations manage transactions with external parties. In some cases, such as with a general sale on a purchaser's account, these transactions result in an accounts receivable balance. In other cases, such as with a loan contract, these transactions result in a long-term note receivable.

5.13 The province is a significant lender within the Prince Edward Island economy. The magnitude of the province's loan portfolio has grown substantially over the last 10 years. Loans made to parties external to government have grown from $228 million in 2004-05 to $443 million in 2013-14, an increase of 94 percent.

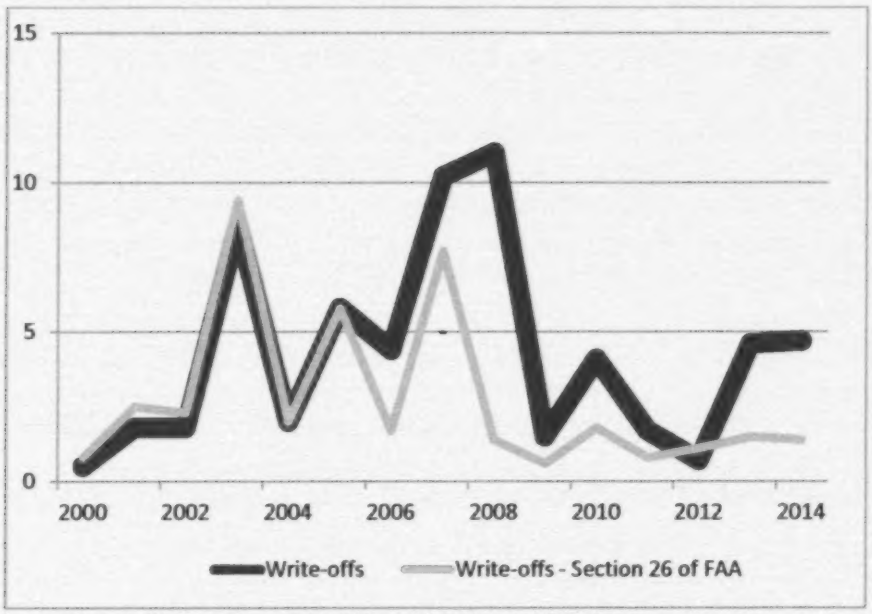
5.14 The primary government lending organizations in the last ten years have been the PEI Lending Agency and Innovation PEI (formerly PEI Business Development Inc.), whose loan portfolios were merged to create Finance PEI on April 1, 2012, and Island Investment Development Inc. (IIDI). In addition, the Student Financial Assistance Corporation (SFAC) has a large loan portfolio. These Crown corporations are responsible for

managing these significant loan portfolios and part of that function includes managing uncollectible accounts.

Authorization of Write-offs

5.15 **Exhibit 5.2** shows the write off of debts due to the province that have been approved by an Order-in-Council under Section 26 of the FAA versus the actual write-offs since 1999-2000. As indicated in **Exhibit 5.2**, in general, from 1999-2000 to 2004-05 all write-offs were approved under the FAA. After 2004-05, this was no longer the case. As we will lay out in the paragraphs that follow, in some cases these variances arise because of separate legislation outside the FAA, while in other cases there are inconsistent practices as well as uncertainty regarding the FAA requirements.

EXHIBIT 5.2
WRITE-OFFS OF DEBT DUE TO THE PROVINCE
YEAR ENDED MARCH 31
($ Millions)



Source: Adapted from the Consolidated Financial statements of the Province

5.16 We noted that some Crown corporations have been authorized to approve write-offs without requiring authorization of the Lieutenant Governor in Council. For example, for the former PEI Lending Agency (now Finance PEI), the authority to approve write-offs was delegated to

the board of directors of the Corporation in 1999-2000 through the regulations to the act establishing the Corporation. In our work, we noted that Finance PEI had write-offs of over $6.5 million since its inception on April 1, 2012. As well, the *Student Financial Assistance Act* allows SFAC to write off loans with authorization from Treasury Board, not Lieutenant Governor in Council.

Practices Are Inconsistent

5.17 In addition to these changes in authorization levels made through legislation and regulations, our Office has noted instances in recent years where there have been inconsistent practices to seek authorization for write-offs.

5.18 IIDI's legislation does not specifically address write-offs. Senior management of IIDI have interpreted Section 26 of the FAA to be applicable only to the operating fund, and as such, the write off of debt owing to Crown corporations from third parties would not require authorization through an Order-in-Council. We noted that in 2013-14, the board of directors of IIDI authorized the write off of $330,000 worth of uncollectible accounts.

5.19 We noted other instances where Crown corporations have written off accounts receivable without seeking approval of Lieutenant Governor in Council under the *Financial Administration Act* even though they have not been specifically delegated authority through their legislation to write off receivables. These are PEI Lotteries Commission and the PEI Grain Elevators Corporation.

5.20 Alternatively, some Crown corporations do seek Lieutenant Governor in Council authorization for write-offs of amounts owing from third parties. For example, in recent years we noted two significant Crown corporations, Health PEI and the PEI Agricultural Insurance Corporation, obtained Lieutenant Governor in Council authorization for the write off of receivables.

5.21 As we considered these inconsistencies in the application of Section 26 of the FAA, we noted government has recently amended its Treasury Board policy on accounts receivable. Although the policy does not apply to loans receivable, it does apply to accounts receivable of departments, Crown corporations, and other reporting entities. These changes included clarification of Treasury Board's expectations for the

authorization of write-offs of accounts receivable balances. This indicates its intention to maintain a strong authorization framework over accounts receivable write-offs.

CANCELLATIONS

5.22 As previously explained, a cancellation of an amount owing to the province differs from a write-off in that the legal obligation to repay is removed. Once a debt has been cancelled, the province can never seek a recovery. Given the significance of this transaction, the FAA has laid out an authorization mechanism to manage this function. However, current practices and a recent legislative change have introduced inconsistency and uncertainty around the appropriate authorization for cancellation of debt due to the province.

5.23 Although the former PEI Lending Agency, and now Finance PEI, have been delegated authority to write off debts for accounting purposes, no specific delegation of authority to cancel debt has been enacted. We noted that these Crown corporations have been accepting settlement of debt at less than the full amount owed, therefore cancelling the remaining debt. For 2013-14, the board of directors of Finance PEI authorized cancellations totalling $3.7 million. There was no approval by the Lieutenant Governor in Council for these cancellations. These types of cancellations have continued into fiscal 2014-15.

5.24 Management of Finance PEI and IIDI have interpreted their legislation as well as applicable sections of the *Financial Administration Act* to mean that both corporations can authorize the cancellation of debt from a third party without the approval of the Lieutenant Governor in Council.

5.25 We noted that the *Student Financial Assistance Act* delegates authorization to cancel debt at certain thresholds. Lieutenant Governor in Council approval for settlement of debt is required but the Act allows approval by Treasury Board for amounts under $5,000 and approval of the Corporation for amounts under $1,000. This recent legislative change for the Student Financial Assistance Corporation indicates government's intention to maintain strong control over cancellation of amounts owed to the province.

5.26 The variations in practice among lending organizations supports the need for government to clarify its expectations for Crown corporations

and departments regarding authorization for cancellation of amounts due to the province.

CLOSING REMARKS

5.27 Our Office is fulfilling its legal requirements each year to report all instances where a debt has been cancelled or discharged under Section 26 of the *Financial Administration Act*. However, as we have explained, this reporting should not be interpreted as a complete list of write-offs and cancellations of amounts owing to the province.

5.28 Inconsistency in practices and the changes that have evolved over time point to the need to re-examine whether current authorization processes of departments and Crown corporations support and comply with the framework established in Section 26 of the FAA. Administration of the FAA is the responsibility of the Department of Finance and Energy, (formerly the Department of Finance, Energy and Municipal Affairs). Section 26 provides accountability and transparency for write-offs and cancellations of amounts due to the province and allows for an important oversight role for Executive Council. Based on the risks of noncompliance and the impact on accountability and transparency, the expectations related to Section 26 of the FAA should be clarified.

Recommendation

5.29 The Minister of Finance and Energy should clarify the authorization requirements for write-offs and cancellations of amounts owing to the province.

FINANCIAL AUDITS

6. INTRODUCTION TO FINANCIAL AUDITS

OVERVIEW

6.1 To hold government accountable for its use of public funds and management of the resources entrusted to it, members of the Legislative Assembly and the public need sufficient, reliable, and timely information on the province's financial position and operating results.

6.2 One of the means by which governments provide such information is by preparing annual consolidated financial statements which are intended to provide a full accounting of the financial and other resources that government controls. Financial statements provide information to describe the changes in a government's financial position and its revenues and expenditures for the fiscal period. Financial statements and other financial information help governments demonstrate accountability.

6.3 Overall responsibility for financial reporting and related decisions rests with the governing body of an organization, such as a government or a board of directors. Management of the organization is responsible for preparing the financial information with oversight from those charged with governance. Reported financial information provides information that is used to assess an organization's performance and management's stewardship over the economic resources entrusted to it. Therefore, it is imperative that the reader has credible information on a timely basis.

6.4 To add credibility to reported financial information, users often rely on the work of an independent auditor. The auditor examines the entity's accounts and the presentation and disclosures of its financial information in accordance with Canadian auditing standards. The auditor objectively assesses the accounting principles used, the estimates made, and other management assertions reflected in the reported financial information. Section 13 of the *Audit Act* requires the Auditor General to perform financial audits of the province's consolidated financial statements, Crown controlled or owned corporations, and the trusts and funds held by any agency of government insofar as they are not subject to a financial audit by an external auditor. The *Audit Act* also requires the Auditor General to bring to the attention of the Legislative

Assembly any matter identified during an audit which in her opinion should be brought to its attention.

6.5 Canadian auditing standards require the auditor to obtain a high level of assurance as to whether the financial information is fairly presented. Upon completion of the examination, the auditor expresses an opinion on whether the financial information is presented fairly, in all material respects. The auditor's opinion is expressed in the independent auditor's report.

6.6 In addition to issuing an independent auditor's report on the financial information, the auditor is required to communicate to management and those charged with governance any significant issue or matter identified during the audit. This communication is commonly referred to as a management letter. It identifies any significant weakness noted in the entity's system of internal control, in management processes, significant accounting adjustments or disclosures identified by the audit, compliance issues, or any other matter which the auditor concludes should be brought to the attention of management and those charged with governance.

6.7 For the majority of the financial audits we performed, management letters were issued. We brought to the attention of management and those charged with governance the significant issues or concerns identified during the audit. We also made recommendations to address these items.

6.8 In the following chapters, we provide summary comments on indicators of financial condition for the province and our audits of the province's consolidated financial statements, agencies, boards, trusts, and Crown corporations as well as appropriations and special warrants.

7. INDICATORS OF FINANCIAL CONDITION

OVERALL COMMENTS

7.1 For the year ended March 31, 2014, the province incurred an operating deficit of $45.9 million and net debt increased by $59.4 million from the prior year. Net debt was almost $2.1 billion at March 31, 2014, and has increased by 19.2 percent since 2011.

7.2 Financial statements alone do not provide a complete perspective on how the province is performing in relation to the overall economic and fiscal environments. To assist users in understanding the financial condition of the province, we continue to provide information on a number of indicators of financial condition.

7.3 Ultimately, decisions on raising revenue and incurring expenses and debt is one of government policy. Information in this chapter is presented solely to assist legislators, the public, and other users to better understand the state of the province's finances.

BACKGROUND

7.4 The indicators presented in this chapter are included in the Public Sector Accounting Board's (PSAB) Statement of Recommended Practice. Our comments are based on the province's audited consolidated financial statements which report its financial position and operating results in accordance with Canadian public sector accounting standards as promulgated by the Chartered Professionals Accounts of Canada.

7.5 Governments are exposed to a number of risks that are beyond their direct control such as overall national and global economic conditions, changes to federal transfers and programs, unexpected events such as national disasters or emergencies, and international financial conditions. Each of these risks can significantly impact the financial condition of the province.

7.6 Presentation of commentary and trends on a number of indicators helps to provide insight into a government's ability to maintain its programs and services, the flexibility it has to respond to economic changes, and its vulnerability to external sources of funding.

7.7 Our current update provides financial information and indicators for the last four fiscal periods. We have restated prior periods due to accounting changes implemented in the current and prior periods. The most recent estimates of population and nominal gross domestic product (GDP) have also been used in the determination of the various indicators of financial condition presented in this chapter. Consistent with other jurisdictions, nominal GDP is presented on a calendar year basis. Recognizing there are no established benchmarks for these indicators, we provide comparisons to other jurisdictions which were selected based on geographical proximity to Prince Edward Island.

SUMMARY FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

7.8 **Exhibit 7.1** summarizes the province's financial position and operating results for the last four years. The exhibit shows a continued deterioration in the financial position of the province highlighted by a continued growth in liabilities, net debt, and the accumulated deficit as well as continued annual deficits.

EXHIBIT 7.1
SUMMARY FINANCIAL INFORMATION
YEAR ENDED MARCH 31
(Millions)

	2011 Restated	2012 Restated	2013 Restated	2014
Financial Assets	$ 722.5	$ 831.4	$ 829.7	$1,229.2
Liabilities	2,483.9	2,739.5	2,869.3	3,328.2
Net Debt	1,761.4	1,908.1	2,039.6	2,099.0
Non Financial Assets	862.5	923.6	975.2	988.7
Accumulated Deficit	$ 898.9	$ 984.5	$1,064.4	$1,110.3
Revenues	$1,554.6	$1,587.1	$1,597.0	1,691.8
Expenses	1,605.9	1,672.7	1,676.8	1,737.7
Annual Deficit	$ 51.3	$ 85.6	$ 79.8	$ 45.9
Nominal Gross Domestic Product*	$ 5,202	$ 5,409	$ 5,514	$ 5,788

Source: *Statistics Canada

7.9 The annual surplus/deficit indicates the extent to which a government spends more or less than what is raised in revenue in a particular year. It basically shows whether a government is living within its means. For the year ended March 31, 2014, the province incurred an operating deficit of $45.9 million.

7.10 **Exhibit 7.2** provides a summary breakdown of the change in the province's annual deficit from the prior period.

EXHIBIT 7.2
CHANGE IN ANNUAL DEFICIT
YEAR ENDED MARCH 31
(Millions)

	Revenues	Expenses	Deficit
2012-13 Deficit (restated)	**$1,597.0**	**$1,676.8**	**$(79.8)**
Change in:			
Tax revenue	38.0	-	
Other government revenue	5.7	-	
Government of Canada	56.5	-	
Government business enterprises	(2.3)	-	
Sinking fund earnings	(3.1)	-	
Agriculture and Forestry	-	(8.9)	
Community Services and Seniors	-	1.2	
Education and Early Childhood Development	-	8.2	
Environment, Labour and Justice	-	(0.2)	
Finance, Energy and Municipal Affairs	-	20.6	
Fisheries, Aquaculture and Rural Development	-	0.4	
Health and Wellness	-	18.9	
Innovation and Advanced Learning	-	3.1	
Tourism and Culture	-	8.8	
Transportation and Infrastructure Renewal	-	7.3	
Other expenses	-	(0.1)	
Interest on debt	-	0.1	
Amortization	-	1.5	
2013-14 Deficit	**$1,691.8**	**$1,737.7**	**$(45.9)**

Increased Revenue

7.11 Overall, revenues increased by $94.8 million. Increased taxes and Government of Canada revenues were the main drivers of the increase.

7.12 The majority of the $38.0 million net increase in tax revenue was due to

- increase of $17.9 million in personal income tax revenue;
- increase of $32.0 million in sales tax revenue due in part to the implementation of the Harmonized Sales Tax;

- increase in real property tax revenue of $3.7 million;
- decrease in corporate tax revenue of $5.4 million;
- decrease in gas tax revenue of $6.0 million; and
- decrease in Health Tax revenue on tobacco of $5.1 million.

7.13 An increase of $6.6 million in PEI Grain Elevators Corporation revenue and a decrease in Finance PEI revenues of $8.0 million were the two most significant changes in other government revenue.

7.14 The increase in Government of Canada revenue was primarily attributable to

- an $8.4 million increase in the Canada Health Transfer; and
- one-time Harmonized Sales Tax transitional funding of $39.0 million.

Increased Expenses

7.15 The $60.9 million net increase in expenses consisted primarily of

- decrease of $8.9 million in Agriculture and Forestry expenses mainly due to a $13.9 million decline in PEI Agricultural Insurance Corporation expenses which was offset by increased spending in the PEI Grain Elevators Corporation of $6.4 million;
- increases in the Department of Education and Early Childhood Development of $8.2 million due mainly to salary increases;
- increase of $20.6 million in the Department of Finance, Energy and Municipal Affairs of which employee benefit costs accounted for $17.6 million of the increase;
- Health and Wellness increases due primarily to increases in health services costs within Health PEI of $18.3 million;
- increase of $8.8 million in Tourism and Culture, the majority of which related to a $6.6 million increase in expenses of Prince Edward Island 2014 Inc.; and
- increase of $7.3 million in the Department of Transportation and Infrastructure Renewal related to operating costs.

SUSTAINABILITY

7.16 Consistent with prior years, we continue to provide an update on the province's financial condition with a continued focus on sustainability. Sustainability is an important element to include in an assessment of financial condition because it indicates the extent to which the province can maintain programs and services and meet existing creditor, employee,

and other obligations without increasing the debt or tax burden. Sustainability is a significant consideration because of its potential impact on current and future generations.

7.17 The province's per capita spending increased by 3.1 percent during 2013-14 to $11,879 from $11,524 in 2012-13. In comparison, Nova Scotia's per capita spending was $11,404 (2013 - $11,063) while New Brunswick spent on average $10,930 (2013 - $10,972) per capita during 2013-14.

Expenses as a Percentage of GDP

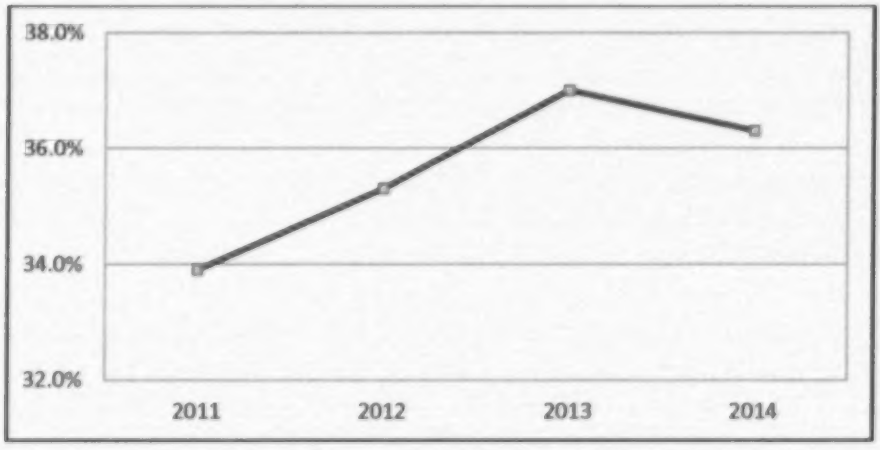
7.18 During 2013-14, government expenditures increased by 3.6 percent or $60.9 million from the prior period. Expenses as a percentage of gross domestic product (GDP) have not significantly changed over the past four years. An increasing ratio indicates government spending is growing at a rate faster than the growth in the economy. At March 31, 2014, government spending represented approximately 30.0 percent of GDP compared to 30.4 percent in the prior period. In comparison, Nova Scotia's expenses as a percentage of GDP were 27.4 percent (2013 - 27.1 percent) and New Brunswick's were 26.1 percent at year-end (2013 - 26.3 percent).

Net Debt to GDP

7.19 An important and widely used measure of the financial condition of a province is net debt. Net debt provides a measure of the amount of future revenue that will be required to pay for past operations. Last year, we reported that the province's net debt continued its trend of increases. As at March 31, 2014, net debt further increased by 2.9 percent or $59.4 million from the prior year and is approximately $2.1 billion at year-end.

7.20 Net debt to GDP provides a measure of the financial demands placed on the economy by the province's spending and taxation policies. An increasing ratio indicates net debt is growing at a rate faster than the growth in the economy which places higher demands on future revenues. **Exhibit 7.3** notes the province's net debt to GDP ratio decreased from 37.0 percent last year to 36.3 percent at March 31, 2014. In comparison, Nova Scotia's was 37.8 percent (2013 - 36.3 percent) and New Brunswick's was 36.7 percent (2013 - 35.1 percent) at March 31, 2014.

EXHIBIT 7.3
NET DEBT AS A PERCENTAGE OF GDP
YEAR ENDED MARCH 31



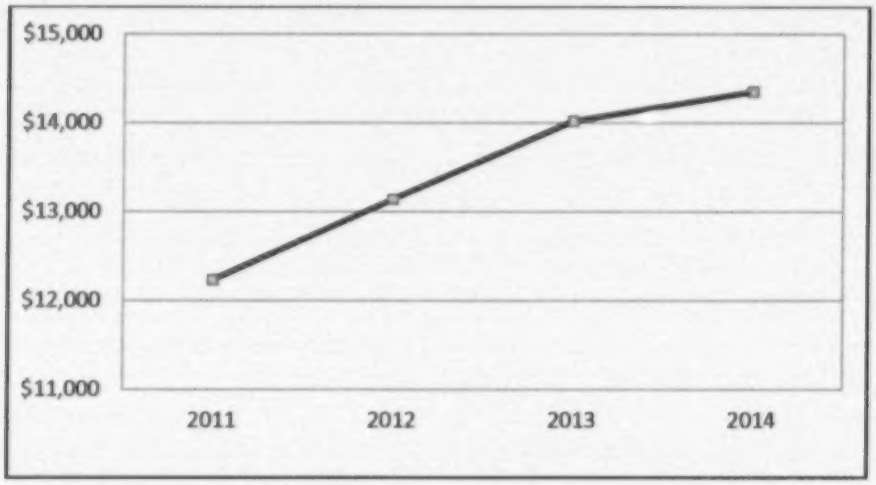
	2011 Restated	2012 Restated	2013 Restated	2014
Net Debt to GDP	33.9%	35.3%	37.0%	36.3%

Net Debt per Capita

7.21 Net debt per capita is the amount of net debt attributable to each person resident in the province. The province's net debt per capita continued to increase which indicates net debt is growing at a faster rate than the population.

7.22 **Exhibit 7.4** shows the province's net debt per capita has increased by 2.4 percent to $14,349 at March 31, 2014. Based on information in their Public Accounts, Nova Scotia's net debt per capita has increased by 6.0 percent to $15,712 (2013 - $14,820) and New Brunswick's has increased by 5.0 percent to $15,400 (2013 - $14,661) at year-end.

EXHIBIT 7.4
NET DEBT PER CAPITA
YEAR ENDED MARCH 31

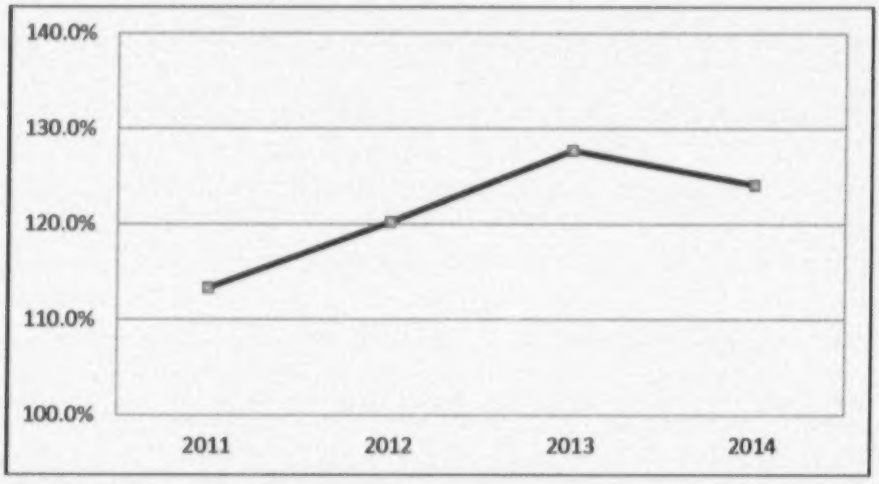


	2011 Restated	2012 Restated	2013 Restated	2014
Net Debt Per Capita	$12,229	$13,136	$14,017	$14,349

Net Debt to Total Revenues

7.23 **Exhibit 7.5** depicts the ratio of net debt to total revenues. This ratio is a measure of the future revenue which will be required to pay for past transactions. An increasing ratio indicates more time will be needed to repay the debt. At March 31, 2014, the province's net debt to total revenues ratio decreased and was 124.1 percent (2013 - 127.7 percent). In comparison, Nova Scotia's ratio was 147.1 percent (2013 - 138.0 percent) and New Brunswick's was 149.9 percent (2013 - 142.3 percent) at year-end.

EXHIBIT 7.5
NET DEBT TO TOTAL REVENUES
YEAR ENDED MARCH 31



	2011 Restated	2012 Restated	2013 Restated	2014
Net Debt to Total Revenues	113.3%	120.2%	127.7%	124.1%

FLEXIBILITY

7.24 Government's flexibility is the degree to which it can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt. A government meets the test of flexibility when it can respond to changing economic conditions, such as a recession or higher interest rates, without making substantial changes to the way it operates.

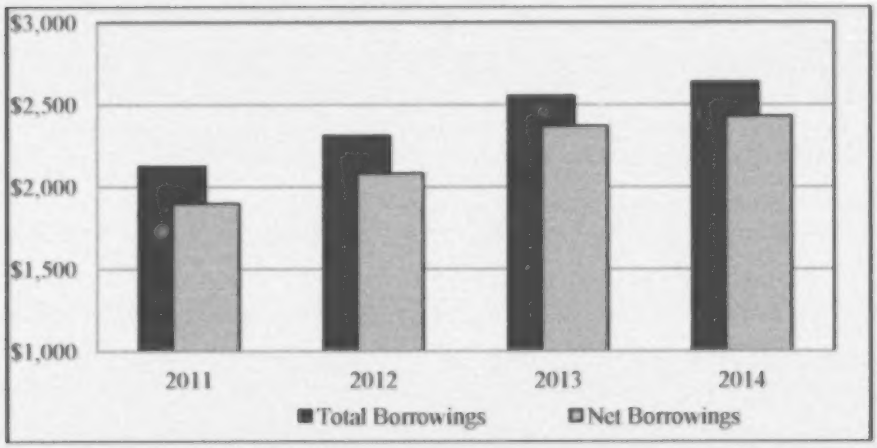
7.25 Flexibility provides insight into how a government manages its finances. A government that increases its current borrowing reduces its future flexibility to respond when adverse economic circumstances develop. Similarly, increasing taxation or fees reduces its ability to do so in the future as a government approaches the limit that citizens and businesses can or are willing to bear.

Net Government Borrowings

7.26 At March 31, 2014, the province had outstanding short-term loans, loans payable, and debentures totaling $2.64 billion (2013 - $2.55 billion). These borrowings are partially offset by sinking fund assets. The level of government borrowings is significant as costs to service this debt take

priority over government programs and services. **Exhibit 7.6** shows the increase in net government borrowings for the last four years.

EXHIBIT 7.6
GOVERNMENT BORROWINGS
YEAR ENDED MARCH 31
(Millions)

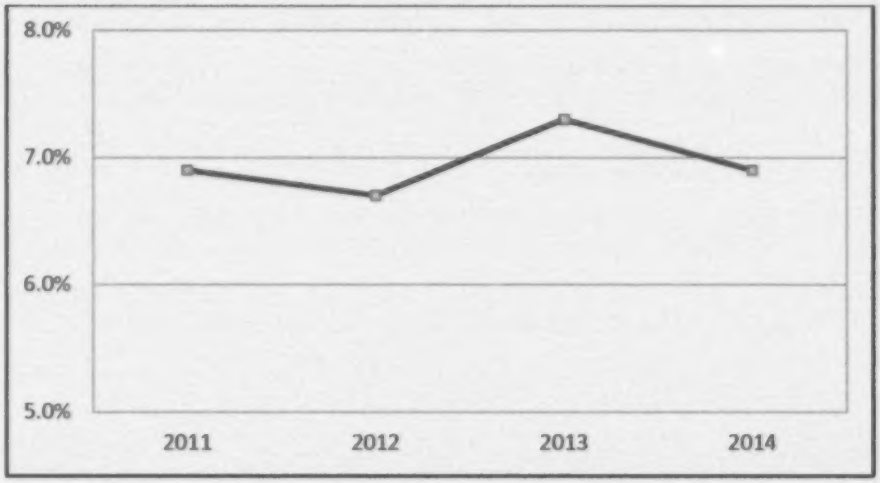


	2011 Restated	2012 Restated	2013 Restated	2014
Total Government Borrowings	$2,126	$2,310	$2,553	$2,638
Sinking Funds	228	226	183	208
Net Government Borrowings	$1,898	$2,084	$2,370	$2,430
Percentage Change in Net Government Borrowings	10.0%	9.8%	13.7%	2.5%

Interest Costs to Total Revenues

7.27 One measure of a government's flexibility is the interest cost as a percentage of total revenues as shown in **Exhibit 7.7**. This is sometimes referred to as the "interest bite." This indicator illustrates the extent to which past borrowing decisions constrain a government's ability to provide programs and services in the future.

EXHIBIT 7.7
INTEREST COSTS AS A PERCENTAGE OF TOTAL REVENUES
YEAR ENDED MARCH 31



	2011 Restated	2012 Restated	2013 Restated	2014
Interest Costs to Total Revenues	6.9%	6.7%	7.3%	6.9%

7.28 Interest costs totaled $116.3 million during 2013-14. This means that the first $116.3 million of revenue must be used to pay interest costs and is unavailable for government programs and services. Interest charges were approximately 6.9 percent of total revenues for the March 31, 2014 fiscal year (2013 - 7.3 percent). Although the amount of government borrowings has continued to increase, interest costs have remained relatively stable over the past four years due to refinancing maturing debt and issuing new debt at lower interest rates. Increased revenues have also contributed to the relatively stable ratio.

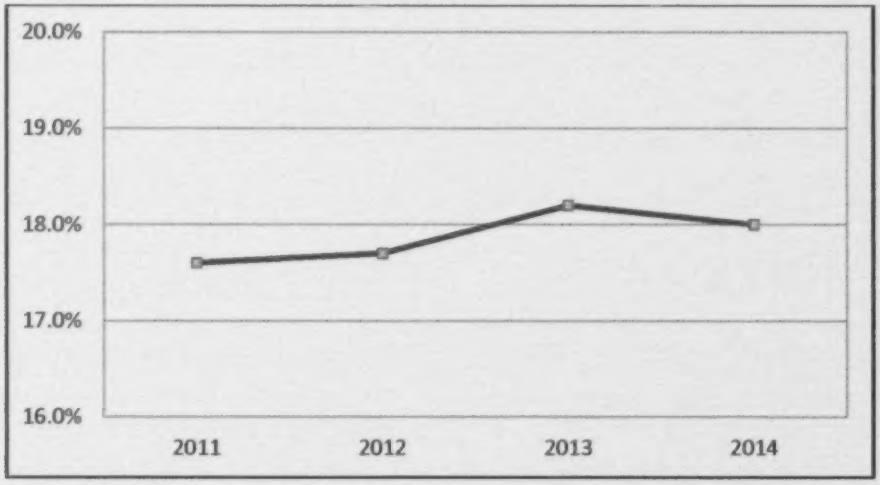
7.29 According to information in their Public Accounts, Nova Scotia's interest costs to total revenues was 8.8 percent (2013 - 9.1 percent) and New Brunswick's was 8.5 percent at March 31, 2014 (2013 - 8.5 percent).

Own Source Revenues to GDP

7.30 **Exhibit 7.8** indicates the change in own source revenues as a percentage of GDP. This indicator is important as it indicates the extent to which government is taking money out of the local economy through taxation, fees, and/or other charges. An increasing ratio indicates a

growing tax burden. The percentage has decreased slightly from 2013-14 and was 18.0 percent at March 31, 2014 (2013 - 18.2 percent).

EXHIBIT 7.8
OWN SOURCE REVENUES AS A PERCENTAGE OF GDP
YEAR ENDED MARCH 31



	2011 Restated	2012 Restated	2013 Restated	2014
Own Source Revenues to GDP	17.6%	17.7%	18.2%	18.0%

7.31 According to information in their Public Accounts, Nova Scotia's own source revenues to GDP was 17.0 percent (2013 - 17.8 percent) and New Brunswick's was 15.4 percent at March 31, 2014 (2013 - 15.2 percent).

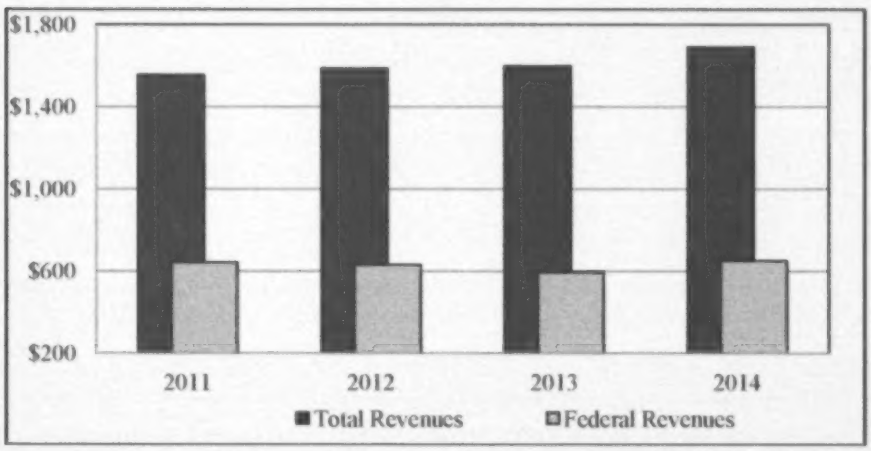
VULNERABILITY

7.32 Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence. It provides insight into the risk the province is exposed to that could affect its ability to meet existing service commitments to the public and financial commitments to creditors, employees, and others.

Federal Revenues to Total Revenues

7.33 Last year, we noted federal revenues as a percentage of total revenues had decreased over the previous year. A decreasing ratio indicates less vulnerability. In 2013-14, the federal government provided 38.5 percent of the province's total revenues or $651.8 million. The increase in the federal revenues is attributable mainly to a one time transitional funding payment of $39 million related to the implementation of the Harmonized Sales Tax. **Exhibit 7.9** shows the trend in federal revenues as a percentage of total revenues for the last four years. Nova Scotia's federal revenues to total revenues was 33.8 percent (2013 - 32.3 percent) and New Brunswick's was 37.0 percent at March 31, 2014 (2013 - 38.5 percent).

EXHIBIT 7.9
FEDERAL REVENUES TO TOTAL REVENUES
YEAR ENDED MARCH 31
(Millions)



	2011 Restated	2012 Restated	2013 Restated	2014
Provincial Revenues	$ 913.2	$ 956.4	$1,001.6	$1,040.0
Federal Revenues	641.4	630.7	595.4	651.8
Total Revenues	$1,554.6	$1,587.1	$1,597.0	$1,691.8
Provincial Revenues as Percent of Total	58.7%	60.3%	62.7%	61.5%
Federal Revenues as Percent of Total	41.3%	39.7%	37.3%	38.5%

SUMMARY

7.34 It is important for members of the Legislative Assembly and the public to have a regular update on the province's finances to assist in understanding the long-term implications of budget and policy decisions. These indicators provide useful insight to assess the financial condition of the province. Continued monitoring of key trends and consideration of their impact is important in assessing the sustainability of current programs and services. This information will assist members of the Legislature and the public in holding government accountable. We believe sufficient information, analysis, and commentary on the financial condition of the province should be available to members of the Legislative Assembly and Islanders on a timely basis.

GLOSSARY

Annual surplus or deficit is the difference between a government's revenues and expenses. This measure shows the extent to which revenues raised in the year were sufficient to cover expenses in that year.

Total liabilities is the amount owed by government. Government's liabilities include outstanding debentures and other payables.

Financial assets are cash and other assets which could provide resources to pay liabilities or finance future operations.

Net debt is equal to the difference between the government's total liabilities and its financial assets.

Government borrowings is the total of short-term loans, long-term loans payable, and debentures.

Non-financial assets are tangible capital assets such as buildings, roads, and equipment as well as prepaid expenses and inventories. The book value of tangible capital assets increases as they are acquired and is reduced over a period of time through amortization. These assets do not normally provide resources to discharge liabilities.

Accumulated deficit represents the province's liabilities net of the assets the province has acquired; both financial and non-financial. It is the sum of all surpluses and deficits incurred over the years.

Interest charged on borrowings is the amount required to service the debt and must be taken from revenues before any expenditure can be made on government programs and services.

Gross domestic product (GDP) is a measure of the value of all goods and services produced in a jurisdiction in a given period. The province's GDP is measured and reported by Statistics Canada.

Nominal gross domestic product is gross domestic product that has not been adjusted for inflation.

Tax burden refers to the value of economic resources withdrawn from citizens and businesses through taxation and/or fees.

8. PUBLIC ACCOUNTS

BACKGROUND

8.1 Islanders have entrusted government with the management of the province's financial and other resources. The *Financial Administration Act* provides the authority for government to fulfill its fiscal management responsibility. This is a significant responsibility that affects every resident in the short and long-term. With this responsibility comes the need for accountability.

8.2 In order to demonstrate its accountability, government needs to provide information on how it has managed provincial resources. The Legislative Assembly, including its Public Accounts Committee, plays a primary role in holding government accountable. To fulfill their oversight role, members of the Legislative Assembly, as well as the public, need sufficient, timely, and reliable financial information on the financial position and operating results of the province. A primary source of information used by the Legislative Assembly is the Public Accounts. The 2014 Public Accounts consist of three volumes: Volume I contains the province's audited consolidated financial statements; Volume II contains the unaudited Operating Fund financial statements and details of revenues and expenditures of the Operating Fund; and Volume III includes the audited financial statements of agencies, boards, Crown corporations, and funds.

8.3 The consolidated financial statements are prepared by government, and all information within and decisions related to these statements are the responsibility of government. Each year, we audit the province's consolidated financial statements and issue an independent auditor's report. In this chapter, we provide comments on Volume I of the Public Accounts based on our work.

8.4 Our commentary in this chapter focuses primarily on the audited consolidated financial statements. These statements provide the most complete information about the financial position of the province as they consolidate the accounts of the Operating Fund with those of the agencies, boards, and Crown corporations owned or controlled by the government.

8.5 The consolidated financial statements is one of the most important accountability documents produced by government. It provides financial and other information to help users assess the financial condition and performance of government.

OBJECTIVES AND SCOPE

8.6 The *Audit Act* requires the Auditor General to annually audit the province's consolidated financial statements and provide an independent auditor's report stating whether the statements are fairly presented.

8.7 Under Section 17 of the Act, the Auditor General is not required to audit or report on the accounts of any agency of government where another auditor has been designated to audit its accounts. In these instances, the Auditor General reviews the audit work performed by the external auditor of significant entities when performing the audit of the province's consolidated financial statements.

8.8 In the following sections, we discuss our audit opinion on the province's consolidated financial statements for the fiscal year ended March 31, 2014. We also include observations and recommendations arising from our work. Information to address other reporting requirements under the *Audit Act* is also provided.

AUDIT OPINION

8.9 The *Financial Administration Act* requires the Comptroller to annually prepare the province's consolidated financial statements. The Auditor General is required to conduct an audit of the consolidated financial statements and express an independent audit opinion. Our audit was conducted in accordance with Canadian auditing standards. On January 30, 2015, the Auditor General issued an unqualified audit opinion on the province's consolidated financial statements. The independent audit opinion stated the province's consolidated financial statements for the year ended March 31, 2014, are fairly presented in accordance with the basis of accounting disclosed in Note 2 to the consolidated financial statements, which are Canadian public sector accounting standards.

OBSERVATIONS AND RECOMMENDATIONS

TIMELY FINANCIAL STATEMENTS

8.10 This year, Prince Edward Island was the last province to release its consolidated financial statements. The statements were released on January 30, 2015, one day earlier than its statutory reporting deadline. It is important that members of the Legislative Assembly, the public, and other users have financial information on a timely basis before it loses its usefulness to influence decisions.

8.11 Each year in preparation for our audit, we meet with the Comptroller's Office to discuss audit readiness. Timelines for the receipt of information for audit purposes are discussed and agreed to by the Office of the Comptroller. This is done to clarify expectations and provide for a coordinated and cooperative effort to facilitate the timely completion of the audited consolidated financial statements. This practice has been ongoing for several years. We track the receipt of information and follow up where necessary. However, there continues to be significant audit readiness issues.

8.12 For the year ended March 31, 2014, amendments to pension legislation led to major delays. These amendments resulted in significant additional work being carried out by the province's actuary. In addition, accounting issues related to pension changes needed to be addressed. Actuarial valuation reports necessary for the completion of our audit were not provided to our Office until January 2015.

8.13 The delay in completing the March 31, 2014, consolidated financial statements was also due to delays in providing our Office with tangible capital asset listings, a trial balance, and final draft consolidated financial statements.

8.14 The *Financial Administration Act* requires the Public Accounts to be released by August 31 in years with a scheduled election in October. Significant improvement in the timely completion of the consolidated financial statements is needed.

Recommendation

8.15 The province's consolidated financial statements should be completed and made available on a timely basis.

8.16 Consistent with prior periods, some agencies, boards, and Crown corporations did not provide audited financial statements within 90 days of their year-end (and an annual report within six months of their year-end) as required by the *Financial Administration Act*. Delays in completing annual financial statements contributed to late annual reports. We did note some improvement in this area since 2012-13.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

8.17 For several years, we have recommended improvements to the financial statement discussion and analysis included in Volume I of the Public Accounts. Again, the current financial statement discussion and analysis is limited. We have suggested including increased use of trend analysis, expanded variance analysis, and increased comparisons to other jurisdictions as well as a discussion of the economy and significant risks faced by the province.

8.18 Volume I of the Public Accounts provides an opportunity to integrate and accumulate key information about government operations, financial condition, and other relevant information. It is a document that has the potential to provide one of the most complete reports on government's management of the province's finances and its stewardship over those resources. Such information is important to assist users in understanding and evaluating the financial condition of the province. With this understanding, members of the Legislative Assembly, the public, and other users will be in a better position to hold government accountable for its management of the province's finances.

Recommendation

8.19 The financial statement discussion and analysis included in Volume I of the Public Accounts should be improved to expand on and explain information included in the consolidated financial statements.

PENSION PLANS

8.20 The objective of a pension plan is to provide income to individuals when they retire. The province has three funded pension plans. Pension

benefits are provided under the *Civil Service Superannuation Act* (CSSF), the *Teacher's Superannuation Act* (TSF), and the Pension Plan for Members of the Legislative Assembly (MLA). The province also has four unfunded pension plans: the MLA Supplemental Plan, the Senior Compensation Plan, the Judges Pension Plan (Old), and the Judges Pension Plan (New). The new pension plan for judges is supplemental to the pension benefits provided under the *Civil Service Superannuation Act*. Effective January 1, 2014, significant amendments were implemented which affected all funded and unfunded pension plans except the pension plans for judges which remain unchanged.

Plan Amendments

8.21 On January 1, 2014, plan amendments to the CSSF and the TSF took effect and affect all members of these plans. For active members, the benefit formula change reduces the amount of benefit earned from an average of the best three years salary for CSSF and best five years for TSF to a benefit formula based on indexed career average salary. At December 31, 2013, each plan calculated the best three year average salary for CSSF and best five year average for TSF. Guaranteed pension indexing was also eliminated. After the 2016 calendar year, indexing for all members will be dependent on the funded level of the plan. For active members, the average determined at December 31, 2013, plus indexing of 1.5 percent for three years becomes the new guaranteed base benefit. For CSSF retirees, the current payment plus indexing at 1.5 percent for three years is guaranteed. For TSF retirees, indexing of 0.9 percent for three years is also guaranteed. Future indexing for both active members and retirees, if awarded, would then become the new guaranteed base benefit.

8.22 Plan amendments also impact employee and employer contribution rates. Future rate changes will be determined by current service costs and the funded level of the plans. The age and years of service necessary for an individual to retire with an unreduced pension benefit were increased as a result of the plan amendments. This is applicable to service after December 31, 2018. The notes to the province's 2014 consolidated financial statements summarize the plan amendments.

8.23 Based on actuarial valuations completed for the province, the plan design changes reduced the accrued benefit obligation for active members and retirees by $578.7 million consisting of $445.3 million for CSSF and $133.4 million for TSF. Pension liabilities for MLA, MLA Supplemental,

and Senior Compensation plans were reduced by $7.9 million as a result of plan changes.

8.24 As part of the legislative changes to CSSF and TSF, the province was required to bring these plans to a funded level of 122 percent at January 1, 2014. As a result, the province issued a promissory note of $231.5 million to CSSF and $164.6 million to TSF. The notes are irrevocable and will be paid in seven equal annual installments beginning January 1, 2023.

Contingent Indexation

8.25 Pension plan amendments introduced contingent indexation. Contingent indexation is the awarding of indexing based on funds available within the funded pension plan. For MLA Supplemental and Senior Compensation plans, contingent indexation is awarded if indexation is awarded in the CSSF.

8.26 For example, if pension assets in the CSSF are greater than 100 percent of the accrued base benefit obligation (that is, the base pension benefit guaranteed by the province) then the excess funds can be used to award indexing first to active members and then to retirees and deferred pensions in accordance with the legislation. Plan assets are first applied to the guaranteed base pension benefit before any amounts are available for indexing.

8.27 As at March 31, 2014, the province estimated the assets available for contingent indexation at $315.5 million for CSSF, $162.8 million for TSF, and $2.8 million for MLA. The province recognized the liability for contingent indexing equal to the assets in excess of the guaranteed base pension benefit. The calculation of the contingent indexation liability did not incorporate potential future events such as gains and losses on investment assets, contribution changes, and new benefit accruals.

8.28 Obligations related to pensions should be determined based on the likelihood and amount of indexing to be awarded. The province noted that there is no accepted methodology for estimating the liability associated with contingent indexing and would review its methodology in the future. Further, there was a commitment to continue to monitor the developments in accounting standards and practices when assessing the accounting treatment of plans with a contingent indexation liability component.

Pension Assumptions

8.29 Last year, we provided information to help readers understand actuarial assumptions and the impact on pension obligations. The key message was that pension obligations are estimates which are highly sensitive to assumptions. Canadian public sector accounting standards require assumptions to be management's best estimate and are assessed by actuaries. If an assumption is within an acceptable range, it is generally considered to be reasonable. Key assumptions for pension plans include the rate of return on plan assets, the discount rate, cost of living increases, salary escalation, retirement age, and mortality.

8.30 In addition to the plan amendments previously noted, all major assumptions were changed resulting in significant increases in the accrued benefit obligation. For the CSSF, assumption changes increased the accrued benefit obligation by $330.4 million; TSF $124.9 million; MLA $2.7 million; MLA Supplemental $.8 million; Senior Compensation Plan $5.2 million; and judges plans old and new $2.1 million. In total, assumption changes increased the accrued pension benefit obligation by $466.1 million or 21.9 percent from 2012-13.

8.31 Actuarial assumptions selected by government can significantly affect the funded level of each plan and thereby impact future contributions. Plan amendments effective January 1, 2014, tie future plan benefits and contributions directly to the funded level of the plans.

Pension Obligation

8.32 **Exhibit 8.1** summarizes the province's guaranteed pension obligation and the various components that make up its net pension assets/obligations for the past five years. Pension expense is also noted. The exhibit includes both funded and unfunded pension plans. The unfunded plans do not require beneficiaries to contribute to the plan. Benefits are paid by the province out of the Operating Fund as payments become due. The total paid for the year ended March 31, 2014, for these four plans was approximately $1.3 million and the gross unfunded pension obligation was approximately $45.0 million at year-end. Full actuarial valuations for all pension plans were completed for the March 31, 2014, year-end and are dated April 1, 2014. Actuarial valuations are now required annually for CSSF and TSF.

EXHIBIT 8.1
NET PENSION ASSETS/OBLIGATIONS
YEAR ENDED MARCH 31
(Millions)

	2014	2013	2012 Restated	2011	2010
Base pension benefit obligation guaranteed	$(2,084.6)	$(2,132.0)	$(1,898.1)	$(1,782.6)	$(1,631.1)
Contingent indexation	(486.4)	-	-	-	-
Pension fund assets	2,526.0	1,878.1	1,527.2	1,527.8	1,408.4
Unfunded pension obligation	(45.0)	(253.9)	(370.9)	(254.8)	(222.7)
Unamortized net losses	565.1	433.8	355.0	279.3	270.4
Net pension assets (obligation)	$ 520.1	$ 179.9	$ (15.9)	$ 24.5	$ 47.7
Pension expense	$ 97.0	$ 71.7	$ 74.2	$ 56.0	$ 69.3

Pension Contributions

8.33 Employees and employers typically contribute to pension plans. Contributions plus earnings on plan assets are designed to be sufficient to pay retirement benefits as prescribed by the plan text when an individual retires. In principle, contribution rates are established based on estimated current service costs and plan asset earnings to ensure sufficient funds are available to pay for the pension benefit earned each year and payable at retirement.

8.34 **Exhibit 8.2** notes that contributions for the CSSF and the TSF were in excess of the amount required to fund the current service cost. For the year ended March 31, 2014, CSSF contributions were approximately 25 percent higher than the current service cost. At its year-end, excess contributions for the TSF were approximately 37.5 percent. Excess contributions for CSSF total $58 million and for TSF $26 million since 2010.

EXHIBIT 8.2
CSSF AND TSF CONTRIBUTIONS
(Millions)

	2014	2013	2012	2011	2010
Civil Service Superannuation Fund Year Ended March 31					
Current employee contributions	$30	$27	$25	$24	$23
Current employer contributions	30	27	25	24	23
	60	54	50	48	46
Current service cost	(48)	(44)	(42)	(35)	(31)
Excess annual contributions	$12	$10	$ 8	$13	$15
Teachers' Superannuation Fund Year Ended June 30					
Current employee contributions	$11	$10	$ 9	$ 9	$ 8
Current employer contributions	11	10	9	9	8
	22	20	18	18	16
Current service cost*	(16)	(15)	(14)	(12)	(11)
Excess annual contributions	$ 6	$ 5	$ 4	$ 6	$ 5

*For the year ended March 31

ACCOUNTING POLICIES

8.35 Canadian auditing standards require the auditor to assess the accounting policies used to prepare the province's consolidated financial statements. Our review of the province's accounting policies noted some areas that require attention.

Environmental Liabilities

8.36 For several years, we have raised the issue of environmental liabilities with the Office of the Comptroller. There is a need to identify and assess sites for potential environmental liabilities. At March 31, 2014, the province's consolidated financial statements included a $1.85 million provision for future costs related to properties previously used as community dumps and landfill sites. We were advised the province intends to identify and assess various sites for potential environmental liabilities.

8.37 Effective April 1, 2014, new accounting standards dealing with environmental contamination became effective. The province will need to ensure it has identified and assessed all potential contaminated sites. This issue is discussed in further detail in Chapter 4 of this report.

Recommendation

8.38 Sites with potential environmental liabilities should be identified, assessed, and estimated remediation costs recorded, if significant.

Revenue Recognition

8.39 During our audit, an issue arose regarding the accounting for tax revenue. The issue related to the recognition of revenue on reassessments. The province's revenue recognition policy does not specifically address such situations and should be reviewed.

Recommendation

8.40 The province's revenue recognition policy should be reviewed to address situations which involve unusual assessments or reassessments of taxpayers.

Concessionary Assistance

8.41 The province's loans receivable policy requires loans receivable to be recorded at cost less adjustment for impairment and concessionary terms. Our audit noted interest rate concessions on loans were not consistently recorded. The estimated impact of unrecorded interest concessions was approximately $2.1 million.

Recommendation

8.42 The province's policy on concessionary loans should be consistently applied.

BUDGETS

8.43 For several years, we noted the province's budget is not prepared on the same basis as its consolidated financial statements. Canadian public sector accounting standards require original budget information to be presented in the province's consolidated financial statements. However, the original budget does not include each consolidated entity's revenues and expenses on a line by line basis. The budgets of certain entities are grouped and reported on a net basis. Similar to previous years, a separate reconciliation was necessary to present the budget on the same comparative basis as the actual financial results. For the year ended March 31, 2014, original budget revenues and expenses were increased by $95.2 million to put them on a comparative basis with the actual financial results presented in the consolidated financial statements.

8.44 The operating budgets for government business enterprises are also prepared on a net basis and the details of each entity's revenues and expenses are not disclosed in the Legislature nor are they publically available. This is significant because government business enterprises had revenues of $143.7 million (2013 - $145.5 million) and expenses of $97.3 million (2013 - $96.9 million) for the year ended March 31, 2014. Government business enterprises also controlled $722.3 million in total assets at year-end (2013 - $615.8 million).

8.45 Detailed budget information of government business enterprises and government organizations would enhance transparency. It would also assist members of the Legislative Assembly and the public to assess and debate the budgets of these entities.

Recommendation

8.46 Detailed budget information on significant agencies, boards, and Crown corporations should be provided to the Legislature as part of the budget approval process.

8.47 Our review of budgets also noted, certain expenses were budgeted as part of the capital budget. For example, our work identified a training expense in the amount of $1.2 million that was included in the capital budget and capitalized for financial statement purposes. We concluded the item was not in compliance with the province's tangible capital asset policy or Canadian public sector accounting standards. Training costs are operating expenses and should not have been included in the capital budget and should have been expensed for financial statement purposes. The error was not adjusted.

Recommendation

8.48 Capital budgets should be prepared in accordance with the province's tangible capital asset policy.

GUARANTEED DEBT

8.49 **Exhibit 8.3** summarizes the components of guaranteed debt for the past five years as reported in the Guaranteed Debt schedule in the province's consolidated financial statements. At year-end, guaranteed debt was $244.1 million, down from $279.9 million in the prior year.

EXHIBIT 8.3
GUARANTEED DEBT
YEAR ENDED MARCH 31
(Thousands)

	2014	2013	2012	2011	2010
Lines of credit/demand loans	$ -	$ 32,607	$ 54	$ 49	$ 40
Debentures/capital loans	242,588	245,886	264,623	249,805	251,335
Crown corporations and agencies	1,463	1,378	1,980	2,853	3,346
Total guaranteed debt	$244,051	$279,871	$266,657	$252,707	$254,721

8.50 The province also has a guarantee related to the Credit Union Deposit Insurance Corporation (CUDIC) which is not included in **Exhibit 8.3**. The CUDIC provides deposit insurance coverage on insurable deposits in each of the ten credit unions in the province. At December 31, 2013, insurable deposits totaled $771.2 million (2012 - $647.1 million). The CUDIC had an equity balance of $12.3 million at December 31, 2013 (2012 - $11.7 million).

8.51 The amount of debt guaranteed by the province continues to represent a significant level of financial risk. It needs to be monitored on a regular basis to ensure the province's financial exposure is minimized.

MANAGEMENT LETTERS

8.52 Each year, we review management letters issued by our Office and external auditors to agencies, boards, and Crown corporations. Our current review noted issues related to compliance with Treasury Board policies and accounting standards, the need to improve certain internal controls and documentation, as well as audit readiness issues. Last year, we recommended a process be implemented to track action taken on recommendations arising from financial statement audits. To date, our recommendation has not been implemented. We encourage action on this recommendation.

OTHER REPORTING REQUIREMENTS

SURPLUS (DEFICIT) AGENCIES, BOARDS, AND CROWN CORPORATIONS

8.53 Section 16 of the *Audit Act* requires the Auditor General to include information in the Annual Report on deficits of agencies, boards, and Crown corporations not covered by appropriations in the year in which they have been incurred and any surpluses not paid into the Operating Fund in the year in which they were earned. In **Exhibit 8.4**, we have included the surplus or deficit for each entity at March 31, 2014.

EXHIBIT 8.4
SURPLUS (DEFICIT)
AGENCIES, BOARDS, AND CROWN CORPORATIONS
YEAR ENDED MARCH 31, 2014

	Annual Surplus (Deficit)
Charlottetown Area Development Corporation*	$ 331,692
English Language School Board	(190,249,248)
Finance PEI	1,762,387
French Language School Board	(23,544,498)
Health PEI	7,855,268
Innovation PEI	964
Island Investment Development Inc.	11,440,753
Island Waste Management Corporation	126,940
PEI Advisory Council on the Status of Women	(50,823)
PEI Agricultural Insurance Corporation	10,648,980
PEI Aquaculture and Fisheries Research Initiative Inc.	(54,171)
PEI Energy Corporation	3,532,765
PEI Grain Elevators Corporation (July 31, 2013)	(193,968)
PEI Human Rights Commission	17,489
PEI Housing Corporation	(284,300)
PEI Museum and Heritage Foundation	(15,271)
PEI Self Insurance and Risk Management Fund	804,050
PEI Student Financial Assistance Corporation	32,609
PEI 2014 Inc.	2,134,023
Summerside Regional Development Corporation*	(309,275)

*Includes the provincial portion only

8.54 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, debts, or monies due to the province that have been discharged, cancelled, and/or released under Section 26 of the *Financial Administration Act*. This reporting requirement is addressed in Chapter 5 of this report.

MANAGEMENT RESPONSE

8.55 Our observations and recommendations have been discussed with management.

9. APPROPRIATIONS AND SPECIAL WARRANTS

AUDIT PROCESS

9.1 Each year, government's spending authority is approved by members of the Legislative Assembly through an appropriation act. Appropriation acts are an important control over spending in that they set the financial parameters in which government operates and is held accountable. Authorization to exceed the spending authority set by an appropriation act is provided by a special warrant or transfer of a previously appropriated amount.

9.2 Special warrants are required when funds are needed for operations, the amount exceeds the amount set by the *Appropriation Act*, and the Legislative Assembly is not in session. Spending authority provided by special warrant is authorized by the Lieutenant Governor in Council through an Order-in-Council. Appropriation transfers are generally approved by Treasury Board.

9.3 The *Appropriation Act (Current Expenditures) 2013* authorized $1,559.8 million in operating expenditures for the fiscal year ended March 31, 2014, while the *Appropriation Act (Capital Expenditures) 2013* authorized capital spending of $83.9 million. Special warrants provided an additional $46.9 million in authorized spending for operating expenditures and $5 million for capital expenditures, resulting in total authorized operating expenditures of $1,606.7 million and total capital expenditures of $88.9 million. For the year ended March 31, 2014, there was $105,400 sequestered from operations and $477,600 from capital.

APPROPRIATIONS

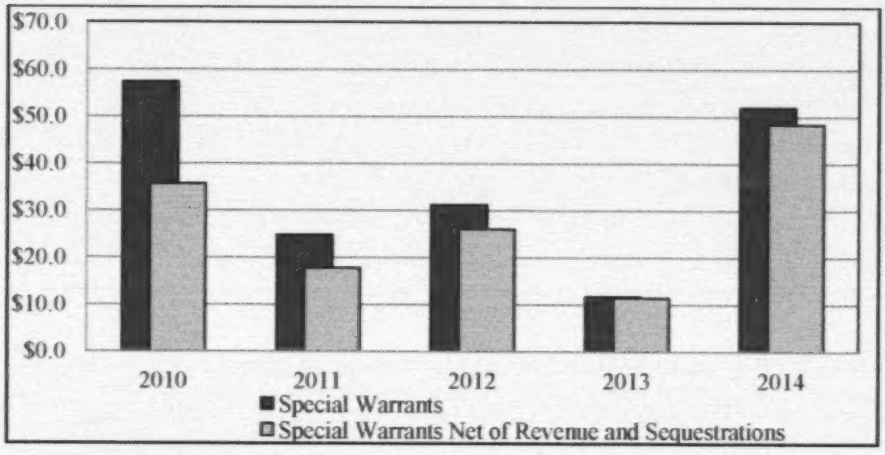
9.4 In accordance with the requirements of the *Audit Act*, our audit of appropriations and special warrants for the year ended March 31, 2014, concluded amounts were expended for the purpose for which they were appropriated. In addition to the information provided in this chapter, readers should also consider the province's consolidated financial statements and our independent auditor's report on those financial statements.

9.5 **Schedule A** of this Annual Report provides a comparison of operating and capital appropriations to actual expenditures in accordance with the classifications in the 2013 appropriation acts.

SPECIAL WARRANTS

9.6 The *Audit Act* also requires the Auditor General to list in detail appropriations made by special warrant and the purpose of such appropriations. This information is included in **Schedule B** of this report. For the year ended March 31, 2014, special warrants of $51.9 million were partially offset by a $3.0 million increase in revenue and $583,000 in sequestrations from previously authorized appropriations for a net increase in spending authority of $48.3 million. **Exhibit 9.1** depicts total special warrants and special warrants net of revenue and sequestrations for each of the last five years.

EXHIBIT 9.1
SPECIAL WARRANTS
YEAR ENDED MARCH 31
(Millions)



	2010	2011	2012	2013	2014
Total Special Warrants	$57.3	$24.8	$31.2	$11.7	$51.9
Revenue and Sequestrations	21.6	7.0	5.2	0.2	3.6
Special Warrants Net of Revenue and Sequestrations	$35.7	$17.8	$26.0	$11.5	$48.3

Delay in Issuing Special Warrants

9.7 The *Financial Administration Act* prohibits expenditures from being incurred unless provided for by an appropriation. When it is expected that a special warrant will be required, legislative approval should be in place prior to the expense being incurred.

9.8 Consistent with prior years, our current audit noted eleven instances where legislative spending authority was not in place prior to the expenditure being incurred. That is, the original spending appropriation had been exceeded and the statutory authority for the additional expenditures was obtained subsequent to the expenditures being incurred. There was one department that exceeded both its operating and capital appropriations, three departments and one Crown corporation which exceeded their current operating appropriation, and one department and one Crown corporation which exceeded their capital appropriation. Two special warrants were also issued subsequent to year-end for employee benefits and interest charges on debt.

Recommendation

9.9 Legislative spending authority should be obtained prior to expenditures being incurred.

9.10 The province's capital budgeting process serves to provide spending authority and to control the expenditures made by departments on capital projects. The approved capital budget is posted to the province's financial system, and normally if an appropriation has been exceeded it would be identified by a comparison of budget to actual expenditures. At fiscal year-end, accounting adjustments are made to the financial system as part of the financial statement preparation process which reallocates capital and non-capital transactions. Subsequent financial statement reallocations can result in authorized capital spending limits being exceeded without the legislative spending authority in place. This issue has previously been reported by our Office. We encourage management to review its accounting and budgeting practices to ensure adequate control over expenditures is maintained.

MANAGEMENT RESPONSE

9.11 We have discussed our findings and recommendation with management.

UPDATE ON PREVIOUS RECOMMENDATIONS

10. UPDATE ON PREVIOUS RECOMMENDATIONS

BACKGROUND

10.1 This chapter provides information on the status of implementation of the recommendations arising from our special audits and examinations. This information promotes accountability and is provided so that members of the Legislative Assembly and the public can assess the progress government is making in addressing our recommendations.

10.2 Recommendations made to departments, Crown corporations, and agencies pursuant to our financial audit work are followed up annually as part of our financial audit process and are not discussed in this chapter.

10.3 Government's acceptance and implementation of our recommendations is also an important performance measure for our Office. Our practice is to annually request updated information from senior management of the department, Crown corporation, or agency responsible for the subject matter of the audit. We review each response and obtain clarification where necessary, but we do not conduct any audit work on management's response. We have classified the recommendations as fully implemented, outstanding or no longer applicable.

10.4 **Exhibit 10.1** provides summary information, by Ministry, on the status of recommendations presented in our Annual Reports from 2010 to 2014. As the exhibit indicates, the percentage implemented increases with additional time to address the issues.

10.5 **Exhibit 10.2** provides summary information by year on the status of recommendations presented in our Annual Report from 2010 to 2014.

EXHIBIT 10.1
SPECIAL AUDITS AND EXAMINATIONS
STATUS OF RECOMMENDATIONS
AS REPORTED BY DEPARTMENTS/AGENCIES
2010 to 2014

Ministry	Audits	Year	Recommendations				
			Total	Fully Implemented*	Outstanding*	No Longer Applicable*	% Implemented*
Community Services and Seniors	Child Protection - Internal Controls	2014	16	5	11	-	31
Education and Early Childhood Development	School Maintenance - Western School Board	2011	8	7	1	-	88
	Special Education - Eastern School District	2011	16	13	3	-	81
Finance, Energy and Municipal Affairs	Grants and Loans - Office of Energy Efficiency	2012	6	6	-	-	100
	Information Technology - Governance and IT Contracting	2014	14	2	12	-	14
Fisheries, Aquaculture and Rural Development	Island Community Fund Grant Programs	2014	2	2	-	-	100
Health and Wellness	Implementation of the Electronic Health Records Initiative	2010	8	8	-	-	100
	Security Assessment - Drug Information System	2010	17	16	1	-	94
	Food Safety	2011	18	17	1	-	94
	Long Term Planning and Access - Community Mental Health	2012	12	8	4	-	67
	Management of Ground Ambulance Services	2013	24	18	6	-	75
	Diabetes - Strategy and Organization of Care	2014	7	3	4	-	43
Innovation and Advanced Learning	Government's Involvement in Lending to the Snow Crab Fishery	2010	13	13	-	-	100
	Student Financial Assistance	2010	12	12	-	-	100
	Provincial Nominee Program - Follow-up on the Use of Proceeds Agreement	2013	3	3	-	-	100
	Skills PEI	2013	21	18	-	3	100**
Tourism and Culture	Contract Management of Professional Services - Tourism PEI	2012	10	10	-	-	100
Transportation and Infrastructure Renewal	Inspection of Bridges	2011	14	14	-	-	100
	Highway Construction	2012	21	21	-	-	100
Total			242	196	43	3	82**

*Based on management's response.

**Percent implemented excludes recommendations that are no longer applicable.

EXHIBIT 10.2
SUMMARY STATUS OF RECOMMENDATIONS
AS REPORTED BY DEPARTMENTS/AGENCIES
2010 to 2014

Year	Recommendations				
	Total	Fully Implemented*	Outstanding*	No Longer Applicable*	% Implemented*
2010	50	49	1	-	98
2011	56	51	5	-	91
2012	49	45	4	-	92
2013	48	39	6	3	87**
2014	39	12	27	-	31
Total	**242**	**196**	**43**	**3**	**82****

*Based on management's response.
**Percent implemented excludes recommendations that are no longer applicable.

10.6 **Appendix A,** of this chapter, provides an update on the audit recommendations in our 2014 Annual Report. It includes information on action taken, action planned, and the status of implementation of recommendations based on information received from management.

10.7 **Appendix B** of this chapter includes a status report on the recommendations arising from each special audit and examination reported in 2010 to 2013. For each recommendation we indicate, based on management's response, whether the recommendation was fully implemented, outstanding, or no longer applicable. This supplementary detailed information is presented for information purposes.

SUMMARY

10.8 Some recommendations take longer to address and a number are partially but not fully implemented. For the recommendations made in 2010 to 2013, departments and agencies have had at least two years to address the issues raised. We estimate, based on responses from management, that 92 percent of the 2010 to 2013 recommendations have been fully implemented as of the date of this report.

10.9 We will continue to follow up on our recommendations as a means to hold government accountable. It is important however, to recognize the limitations and decreased assurance inherent in a reporting process that relies solely on self reporting by management. We will continue to work with departments, Crown corporations, and agencies to develop solid, practical recommendations. Further, we will work to establish reasonable targets including timelines for the implementation of our recommendations.

DETAILED STATUS OF IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM SPECIAL AUDITS AND EXAMINATIONS REPORTED IN 2014

INFORMATION TECHNOLOGY - GOVERNANCE AND IT CONTRACTING

10.10 Following are the recommendations resulting from our audit of Information Technology - Governance and IT Contracting reported in the 2014 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Treasury Board Secretariat.

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
2.14	Government should establish an IT oversight committee to guide decision making in relation to IT strategic priorities for government.	Alternative oversight options are being considered and the role of the Deputy Minister's council in providing this oversight will be clarified.		Outstanding
2.15	The role and responsibilities for government-wide IT management and direction should be clearly assigned.	The roles and responsibilities within the IT organization are being reviewed to determine if it is appropriate for the Chief Operating Officer of IT Shared Services to be assigned government-wide strategic responsibilities.		Outstanding
2.20	ITSS management should obtain clarification on its scope of responsibility for the various government departments, Crown corporations, and agencies.		ITSS will seek appropriate executive approval for, and clarification of, the scope of ITSS responsibility with the various Crown corporations and agencies.	Outstanding
2.21	ITSS management should ensure service level objectives are documented to clearly outline IT roles and responsibilities of both ITSS and client departments and agencies.	Work is under way with ITSS and Health PEI, part of which is to explore the development of a service catalogue and service level objectives.	Based on the work carried out with Health PEI, ITSS will look to expand discussions with other client departments.	Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
2.25	Government should take action to ensure an IT strategic plan is developed which outlines government-wide strategic direction and priorities.	An IT Strategy for ITSS was finalized in May 2014.	The IT strategy for ITSS will be used to develop a more formal government-wide planning process for IT.	Outstanding
2.31	ITSS management should establish an IT process and control framework to guide staff in providing IT contract management services.	ITSS management is currently developing and documenting a framework to assist staff in providing IT contract management services.		Outstanding
2.36	ITSS management should ensure an appropriate IT contract management plan is developed and documented for each significant contract.		ITSS will develop formal IT contract management plans for existing significant contracts and for every new significant contract going forward.	Outstanding
2.39	ITSS management should monitor expiration of ongoing contracted arrangements and ensure signed contracts are in place for all services obtained.	ITSS is realigning responsibilities in the Corporate Operations, Finance and Planning Division.	As part of this work, staff resources will be assigned to contract planning and monitoring.	Outstanding
2.45	Except where sole sourcing is warranted, IT contracts should be awarded through a competitive process.	Discussions have been held with the Procurement Division of the Department of Finance, Energy and Municipal Affairs. Audit observations within this section of the report will be considered prior to application of exemptions under trade agreements.		Implemented
2.46	ITSS management should conduct a cost-benefit analysis on continuing to contract for IT services versus hiring employees to meet ongoing IT service requirements.	ITSS is currently evaluating its options. A cost benefit analysis has been completed and will be advanced as part of a larger submission to Treasury Board for discussion and review.		Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
2.56	ITSS management should ensure that service level agreements with vendors address key risk factors as outlined in industry best practices.		ITSS management will expand its efforts to incorporate key risk factors in service level agreements with vendors.	Outstanding
2.62	ITSS management should ensure invoices are approved by the contract manager who has been delegated direct oversight for the contracted IT services.	ITSS management has implemented an improved invoice payment authorization process that requires documented sign off by both the assigned contract manager and the appropriate supervisor with delegated signing authority.		Implemented
2.67	Treasury Board policy for professional services contracts should be revised to address conflict of interest situations including disclosure requirements.	Treasury Board Secretariat is currently reviewing this Treasury Board policy.		Outstanding
2.68	ITSS management should develop and implement a process to identify, document, and manage conflict of interest situations when contracting IT services.		ITSS management will address this recommendation including consideration of any updates to the Treasury Board policy for Professional Services Contracts.	Outstanding

DIABETES - STRATEGY AND ORGANIZATION OF CARE

10.11 Following are the recommendations resulting from our audit of Diabetes - Strategy and Organization of Care reported in the 2014 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
3.35	Health PEI should complete the strategy for diabetes care based on its adopted chronic disease management framework.	The strategy was completed and released in July 2014.	The strategy will be implemented in 2014-17.	Implemented
3.49	Health PEI should improve access to collaborative care for diabetes patients, especially in the province's urban centres.	The Insulin Pump Program for youth/children was launched in July 1, 2014. Youth/children are now able to have an insulin pump initiated on PEI rather than going out of province. A 0.5 FTE dietitian was added to the Diabetic Education Centre in Charlottetown.	A proposal was developed to hire a nurse practitioner to work with the medical director of the diabetes program. Well controlled diabetes patients will be managed by primary care nurses, freeing up Diabetes Education Centre (DEC) staff for more complex cases.	Outstanding
3.53	Health PEI should ensure the Diabetes Program has sufficient access to specialist support services.	A contract is being rewritten for the medical director.	HPEI will continue to increase FTEs to the Diabetes Program as funding allows. A nurse practitioner will be added to the complement as funding allows.	Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
3.62	Health PEI should implement processes to ensure key clinical data is available for monitoring and reporting of health outcomes related to diabetes management.	There is now more than one year's data in the system so work can begin to trend and monitor data. Work is underway to send lab data for Diabetes Education Centre patients to the Diabetes Clinical Lead twice yearly.	The ideal is to have the Clinical Information System (CIS) import directly to the database. HPEI is meeting with the CIS team to look at its feasibility.	Implemented
3.67	Health PEI should evaluate its current mix of resources and services in the Diabetes Program to ensure optimal resource allocation.	HPEI recently reallocated resources to fund a 0.5 FTE diabetes dietitian.	HPEI continues to monitor and allocate resources as funding allows.	Implemented
3.72	When considering physician requests for funding of private diabetes educators, Health PEI should conduct a cost-benefit analysis to assess the optimal use of resources for delivering diabetes care.	A high level analysis was completed.	HPEI will review the current process.	Outstanding
3.73	If arrangements are established providing collaborative diabetes care outside of the Diabetes Program, Health PEI should obtain information to monitor and report on results achieved.	HPEI is currently in an RFP process to procure an electronic medical record (EMR). Diabetes indicators is one of the features that the EMR "must" have.	The EMR will be implemented once approved.	Outstanding

CHILD PROTECTION - INTERNAL CONTROLS

10.12 Following are the recommendations resulting from our audit of Child Protection - Internal Controls reported in the 2014 Annual Report of the Auditor General. The status of implementation of the outstanding recommendations is provided based on information received from management of the Department of Community Services and Seniors.

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
4.19	Management of Child Protection should take action to improve segregation of key control functions related to cash and accounting records.	Action was taken to document all functions related to cash and accounting records at each office. Cash and accounting functions requiring segregation were identified and potential solutions were developed.	Appropriate processes will be approved by Management of Child Protection. New processes will be documented and implemented.	Outstanding
4.28	Management of Child Protection should take action to improve controls over payments to staff and cash receipt records.	Action was taken to document all processes relating to payments made to staff and cash receipts at each office. Potential solutions were identified.	Appropriate processes will be approved by Management of Child Protection. New processes will be documented and implemented.	Outstanding
4.29	Management of Child Protection should ensure that all payments are appropriately approved and approval documentation is maintained.	Potential solutions were identified to ensure payments are appropriately approved and documentation is maintained.	Appropriate processes will be approved by Management of Child Protection. New processes will be documented and implemented.	Outstanding
4.30	Management of Child Protection should ensure payments are supported with sufficient documentation.	Issues and potential solutions were discussed with staff to ensure payments are appropriately supported.	Appropriate processes will be approved by Management of Child Protection. New processes will be documented and implemented.	Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
4.31	Management of Child Protection should ensure that appropriately authorized advances and claims for reimbursement are paid directly to the staff member or foster parent involved.	Communicated and implemented new processes whereby reimbursements are reconciled before payments are released. Any reimbursements to staff members/foster parents are made by cheque.	The new process will be documented and tested.	Implemented
4.39	Management of Child Protection should ensure allowances for children in care are monitored and documentation is maintained to support payments made on behalf of children.	Action was taken to document the current process of monitoring and tracking allowances for children in care in each location. The tracking form was modified to ensure all necessary information was captured. New processes were implemented whereby tracking forms are reviewed on a monthly basis to ensure accuracy, appropriate use of funds, and supporting documentation on file. To minimize cash transactions, electronic transfer was set up to transfer money when a child moves from one group home to another.	The new process will be documented and tested.	Implemented

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
4.40	Management of Child Protection should ensure the balance due to each child is reconciled monthly to the funds on hand.	A new process was implemented whereby finance staff review the Group Home tracking forms monthly and the Child Protection social worker reviews the tracking for the specific child each month.	The new process will be documented and tested.	Implemented
4.47	Management of Child Protection should generate and review the accounts receivable reports on a regular basis.	A solution was identified in which a report is generated, reviewed, and signed off by Management of Child Protection on a monthly basis.	The potential solution will be approved by Management of Child Protection and implemented.	Implemented
4.48	Management of Child Protection should establish procedures to ensure • all amounts owing are recorded; • collection procedures are documented; • amounts outstanding are followed up; and • accounts receivable adjustments are reviewed and approved by management.	Action has been taken to identify potential solutions to ensure receivables are properly tracked, recorded and followed up.	Potential solutions will be discussed with Management of Child Protection and approved for implementation.	Outstanding
4.52	Management of Child Protection should strengthen controls to ensure that payments for children in care are independently reviewed.	Potential solutions have been identified to strengthen controls for payments to children in care.	Potential solutions will be approved by Management of Child Protection and implemented.	Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
4.55	Management of Child Protection should ensure all master file changes are reviewed and approved.	The issue of "master file" changes was discussed with ISM staff. It is not feasible for management of Child Protection to review and approve all changes via the monthly report as many other sections/departments change client addresses in ISM. It was identified that all staff have access to the name function in ISM.	A process requiring management of Child Protection to review and approve any name changes on a monthly basis will be developed, documented and implemented. Work will be undertaken with ISM to develop a monthly report of name changes for review and approval by management of Child Protection.	Outstanding
4.60	Management of Child Protection should ensure that only personnel with properly delegated signing authority are authorized to process payments in ISM.	Changes to the ISM Change/Request Form have been identified. These changes will ensure anyone able to authorize a payment in ISM is appropriately approved by the Director. A working group with representatives from Child and Family Services, Information Technology Shared Services and Finance division is working on making the necessary changes to the ISM Change/Request Form.	Changes to the ISM Change/Request Form will be finalized. A process will be developed, documented, communicated, and implemented. The process will be audited for compliance.	Outstanding

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
4.61	Management of Child Protection should ensure that signing authority levels are consistent between ISM and the province's financial system.	Work is underway with ISM staff to identify ways to reduce inconsistencies between signing authority levels in ISM and the province's financial system.	A report that represents the mapping of the codes between ISM and the province's financial system will be developed and will include delegated signing authority for specific codes. The report will be included in the annual signing authority review and will be signed off by management of Child Protection.	Outstanding
4.64	Management of Child Protection should ensure that access levels in ISM are current and access rights are limited to what each staff member needs to perform his or her required duties.	A monthly report outlining staff's ISM access and signing authority levels is now sent from Finance staff to Management of Child Protection for review and approval. Any changes to access levels are to be communicated directly to ISM Helpdesk and the Helpdesk is required to maintain copies of all changes in access.	The new process will be documented. The process will be audited to ensure compliance.	Implemented
4.68	Management of Child Protection should ensure that payment end dates entered in the system reflect a reasonable time frame for review of the child's file.	This issue was discussed with ISM staff. Potential solutions were identified to address the recommendation.	Potential solutions will be reviewed with Management of Child Protection. Approval will be sought for implementation.	Outstanding
4.73	Management of Child Protection should develop a procedures manual for financial transactions as a resource for staff.	Office walkthroughs were completed to document processes.	A procedures manual will be developed, communicated and circulated to staff based on solutions implemented.	Outstanding

ISLAND COMMUNITY FUND GRANT PROGRAM

10.13 Following are the recommendations resulting from our audit of the Island Community Fund Grant Program reported in the 2014 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of the Department of Fisheries, Aquaculture and Rural Development.

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
5.26	The Department of Fisheries, Aquaculture and Rural Development should strengthen its accountability framework for its conditional grant programs in the following areas • establishing definitive performance indicators; • establishing a timeline for formal program evaluation; and • reporting on performance achieved.	The Department hired a contractor to carry out a review of Department grant programs, develop performance indicators and recommend a timeline for the formal evaluation of each program. The report was adopted by the Department's Management Committee. During the fall of 2014, a contractor was hired to carry out a formal evaluation of the Island Community Fund (ICF). The review examined the relevance of the ICF, whether the ICF was meeting its stated objectives, whether the ICF was designed and delivered effectively and whether proper controls were in place.	The report will be reviewed by the Department, forwarded to Executive Council and made available to the public in 2015.	Implemented

10. Update on Previous Recommendations

2014 Paragraph Reference	Auditor General's Recommendation	Management Response		Status Based on Management's Response
		Action Taken	Action Planned	
5.33	The Department of Fisheries, Aquaculture and Rural Development should ensure that exceptions made when applying Island Community Fund grant program guidelines are documented as such and approved by Executive Council.	Staff involved in the delivery of the ICF have taken program delivery training which should assist to identify any projects that require an exception to guidelines and highlight the need for Executive Council approval.	The Department will assess the need for additional training on an ongoing basis.	Implemented

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM SPECIAL AUDITS AND EXAMINATIONS REPORTED IN 2010 to 2013

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
Implementation of the Electronic Health Records Initiative	Health and Wellness	2010	3.34	The Department of Health should develop a strategic plan for the completion of the EHR.	Implemented
			3.35	The Department of Health should maintain an integrated delivery plan that aligns with a strategic plan for the completion of the EHR.	Implemented
			3.43	The Department of Health, in conjunction with ITSS, should strengthen the oversight of the EHR initiative by improving systems to periodically report on progress and costs.	Implemented
			3.50	The Department of Health should publicly report information on the progress achieved in implementing the EHR initiative including a comparison of actual and expected performance.	Implemented
			3.64	The Department of Health should implement electronic health record projects in accordance with established project management processes.	Implemented
			3.78	A competitive process should be used prior to the awarding of contracts.	Implemented
			3.79	In accordance with Treasury Board policy, the Department of Health should ensure that consultant contracts over $100,000 are approved by Treasury Board.	Implemented
			3.80	The Department of Health should ensure that all consultant services acquired are documented in a signed contract.	Implemented
Security Assessment - Drug Information System	Health and Wellness / Health PEI	2010	4.16	In accordance with the Pharmaceutical Information Act, the DIS information custodian should develop and implement DIS specific policies, standards, and procedures.	Implemented
			4.17	Information Technology Shared Services should continue to work with the ITGC to gain approval for the GISP.	Implemented
			4.18	Information Technology Shared Services should ensure the implementation plan for the GISP is prioritized based on risk.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.29	The Department of Health should review the process for planning and conducting worksite assessments for point of sale locations to achieve consistency in the process and ensure that all initial worksite assessments are conducted.	Implemented
			4.30	Given the sensitivity and privacy of the information that is available on the DIS, ITSS in coordination with the Department of Health should ensure that each employee of the service provider requiring access to the DIS has a unique user name and password to enable more accurate monitoring of activity. The use of service provider accounts, unique or generic, should be logged and monitored and/or shadowed during active service provider sessions.	Implemented
			4.31	To provide for the timely removal of user access, the Department of Health should develop formal processes involving communications from Human Resources.	Implemented
			4.32	The Department of Health in conjunction with ITSS should implement standard password controls for the DIS.	Implemented
			4.33	The Department of Health should work with ITSS to establish a series of baselines for system security settings in the DIS based on needs and common recognized standards.	Outstanding
			4.36	The Department of Health should classify the information in the DIS and make risk-based decisions over what data should be encrypted when in transit and in storage.	Implemented
			4.40	ITSS should strengthen the physical security processes and controls that support the administration and monitoring of those who require access to the data center. The implementation of security controls should be commensurate with the level of the sensitivity of the data that can be accessed.	Implemented
			4.41	Environmental conditions in the server room for the DIS should be documented and monitored by ITSS.	Implemented
			4.47	The Department of Health in conjunction with ITSS should approve and implement a formal set of policies and procedures governing DIS change management. Evidence should be retained for key control points throughout the process including: authorization, testing, approval, segregation of duties, and monitoring.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.48	Given the sensitivity and privacy of the information that is available on the DIS, the use of a local user account by an external service provider should be logged and monitored and/or shadowed during active service provider sessions by the Department of Health with support from ITSS.	Implemented
			4.51	The Department of Health and ITSS should review practices for performing security and worksite assessments with the objective of establishing a consistent approach.	Implemented
			4.57	The Department of Health should work with ITSS to establish a series of baselines for system security auditing of the DIS based on needs and on recognized standards. The auditing program should address the following: what is audited, how often logs are reviewed and what action should be taken on identified events.	Implemented
			4.58	The Department of Health in conjunction with ITSS should establish log creation and retention standards and practices for the DIS.	Implemented
			4.61	The Department of Health, with support from ITSS, should establish a formal Disaster Recovery Plan for the DIS and should ensure that this plan and the Business Continuity Plan are reviewed, tested and updated on an annual basis.	Implemented
Student Financial Assistance	Innovation and Advanced Learning	2010	5.19	The Student Financial Services office should seek Executive Council approval to establish a framework for authorization of program policy changes.	Implemented
			5.33	Student Financial Services should ensure financial resources available to students are verified.	Implemented
			5.34	Student Financial Services should use the documentation on income obtained from CRA for the 2008-09 academic year and verify a sample of income reported on student loan applications.	Implemented
			5.35	Student Financial Services should take the necessary steps to ensure that the proper tax rates are used to calculate student financial need.	Implemented
			5.38	Student Financial Services should implement a quality control review process for the student financial assistance program.	Implemented
			5.43	Student Financial Services should document guidelines for the processing and approval of appeals for student financial assistance.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			5.51	Student Financial Services should implement controls to periodically verify the legitimacy of the monthly invoices from the contracted financial institution by reviewing the supporting documentation received with these monthly invoices.	Implemented
			5.52	Student Financial Services should ensure that all reporting required for the management of the student financial assistance program is received from the contracted financial institution and reviewed on a timely basis.	Implemented
			5.53	Student Financial Services should implement monitoring procedures over the administration of the Provincial Interest Relief Program to ensure adherence to provincial guidelines for the program on debtor eligibility for interest relief payments.	Implemented
			5.57	Student Financial Services should perform sample testing on defaulted loan files to ensure that the contracted financial institution is meeting the performance standards for loan collection.	Implemented
			5.64	Student Financial Services should take action to have all required management reports generated from the Student Assistance Management System.	Implemented
			5.65	Student Financial Services should consult with the Risk Management Division of Provincial Treasury as well as legal counsel in the Attorney General's Office to re-evaluate the indemnity clause in the Student Assistance Management System Agreement.	Implemented
Government's Involvement in Lending to the Snow Crab Fishery	Innovation and Advanced Learning / PEI Lending Agency	2010	6.26	Government strategic initiatives should be formally documented and approved, and include clearly stated goals and objectives with identified performance measures. Information should be reported on results achieved.	*
			6.40	The Lending Agency should determine the impact of the snow crab license transfer and ensure appropriate measures are taken to protect its security position.	Implemented
			6.41	For loans where fishing licenses form part of the security, the Lending Agency should file appropriate documentation with DFO to protect its security position.	Implemented
			6.56	When eligibility criteria for loan financing are established by Executive Council, exceptions to the criteria should be approved by Executive Council.	Implemented

*Applies to future strategic initiatives

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			6.57	The Lending Agency should comply with conditions attached to Executive Council approvals.	Implemented
			6.58	The Lending Agency should ensure that all terms and conditions of loans for out-of-province snow crab licenses are monitored for compliance and documentation is maintained.	Implemented
			6.65	The Lending Agency should ensure that all terms and conditions of loans provided for Island snow crab licenses are monitored for compliance and documentation is maintained.	Implemented
			6.73	Business Development Inc. (now Innovation PEI) should ensure that the type of loan guarantee provided in the accepted letter of offer is consistent with the formal arrangement with the lending institution.	Implemented
			6.74	For loans where fishing licenses form part of the security, Business Development Inc. (now Innovation PEI) should file appropriate documentation with DFO to protect its security position.	Implemented
			6.82	Business Development Inc. (now Innovation PEI) should ensure that its lending policies are reviewed and approved.	Implemented
			6.83	The Lending Agency should establish a process for periodic review and update of its lending policies.	Implemented
			6.84	In addition to financial statements, Business Development Inc. (now Innovation PEI) should include personal and corporate tax returns and related notices of assessment in financial reporting requirements where appropriate.	Implemented
			6.86	The Lending Agency should prepare and release its annual report in accordance with the requirements of the *Financial Administration Act*.	Implemented
Special Education - Eastern School District	Education and Early Childhood Development	2011	3.27	In accordance with the Ministerial Directive, the Department of Education and Early Childhood Development should evaluate and report on special education programs and services.	Outstanding
			3.36	The Department of Education and Early Childhood Development should re-examine the funding formula in place for instructional special education resource positions.	Outstanding

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			3.37	The Department of Education and Early Childhood Development, in conjunction with the Eastern School District, should re-examine the method of allocating educational assistant positions to schools.	Implemented
			3.40	The Eastern School District should allocate instructional special education resource positions based on the approval by the Department.	Implemented
			3.45	The Department of Education and Early Childhood Development should obtain and monitor information from the Eastern School District on the staffing and resource allocations for special education.	Implemented
			3.46	The Eastern School District should obtain information from the schools on the utilization of staffing allocations for special education.	Implemented
			3.47	The Eastern School District should report to the Department on the delivery of special education programs and services, including the utilization of staffing and resource allocations.	Implemented
			3.51	The Department of Education and Early Childhood Development should establish standards for the qualifications, experience, and training for special education instructional positions.	Implemented
			3.59	The Department of Education and Early Childhood Development should establish and communicate clear criteria on what constitutes special education programming and services and which students should be recorded in the student database.	Outstanding
			3.72	The Eastern School District should ensure that IEPs are developed and/or updated for all students where necessary.	Implemented
			3.73	The Eastern School District should ensure that IEPs are • completed in all areas and areas that are not applicable for a student are clearly identified; • formally approved by all required stakeholders; and • formally signed off by inclusive education consultants.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			3.76	In accordance with Departmental guidelines, schools in the Eastern School District should ensure complete and individualized documentation is on file for students' modified programs outlining the timing, nature, and extent of modification as well as any required approvals.	Implemented
			3.77	In accordance with Departmental guidelines, schools in the Eastern School District should ensure completed and properly approved adaptation forms are on file for all adaptation interventions.	Implemented
			3.91	The Eastern School District should ensure referrals for psycho-educational assessments are supported by all required documentation in accordance with Departmental guidelines.	Implemented
			3.92	The Eastern School District should take action to improve wait times for psycho-educational assessments.	Implemented
			3.93	The Eastern School District should implement procedures to ensure recommendations from psycho-educational assessments are reflected in the students' intervention plans.	Implemented
Food Safety	Health and Wellness	2011	4.17	The Division of Population Health should develop objectives and related performance indicators for the Food Safety Program.	Implemented
			4.18	The goals and results achieved through delivery of the Food Safety Program should be measured and reported on a regular basis.	Implemented
			4.19	In accordance with Department policy, the Department of Health and Wellness should take action to provide public access to food safety inspection reports.	Outstanding
			4.26	To help maximize public health protection, the Environmental Health Section should adopt a model to categorize eating establishments based on documented risk assessments.	Implemented
			4.27	Documented risk assessments should be updated regularly as part of the inspection process.	Implemented
			4.28	The Environmental Health Section should establish a policy setting out the required frequency of inspection for various levels of risk.	Implemented
			4.36	The Food Safety inspection form should be reviewed and updated to ensure it reflects the requirements of the *Eating Establishments and Licensed Premises Regulations*.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.37	A quality control process should be implemented to monitor a sample of inspection reports from each inspector to assess consistency in the application of the *Eating Establishments and Licensed Premises Regulations*.	Implemented
			4.38	Food Safety inspection reports should demonstrate that all aspects of the inspection have been addressed by the inspector.	Implemented
			4.43	The Environmental Health Section should periodically assess the completeness of the Environmental Health Information System database to ensure it includes all establishments that require food safety inspections.	Implemented
			4.48	At a minimum, all eating establishments should be inspected annually in accordance with the *Eating Establishments and Licensed Premises Regulations*.	Implemented
			4.49	Follow-up inspections should be carried out on a timely basis.	Implemented
			4.55	The Environmental Health Section should ensure that approval certificates are not renewed until the eating establishment's most recent inspection is current and satisfactory.	Implemented
			4.56	The Environmental Health Section should follow up on a timely basis with all eating establishments that have not applied for a license renewal.	Implemented
			4.64	Management of Environmental Health should receive a regular, reliable report on overdue inspections.	Implemented
			4.65	The Environmental Health Section should take steps to improve the accuracy and consistency of the information recorded in the Environmental Health Information System database.	Implemented
			4.73	To ensure the requirements of the Canadian Institute of Public Health Inspectors are met, the Environmental Health Section should monitor the extent of professional development received by environmental health officers.	Implemented
			4.74	In accordance with conflict of interest policy approved by Treasury Board, each environmental health officer should file a personal disclosure statement.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
School Maintenance - Western School Board	Education and Early Childhood Development / English Language School Board	2011	5.31	The Western School Board should develop a policy which at a minimum • identifies maintenance level standards it expects to achieve for its buildings, equipment, and playgrounds; • defines criteria for prioritizing its maintenance projects; • incorporates the roles and responsibilities of key players; and • refers to key legislation that impacts the maintenance of schools.	Outstanding
			5.47	The Western School Board should implement a more structured approach to managing its preventative maintenance program, including the following: • having one comprehensive source of preventative maintenance for all building components and equipment; • highlighting mandated maintenance; • incorporating building envelope into its preventative maintenance program, including regular documented inspections of each building's overall condition; • creating more substantial air quality preventative maintenance tasks for mould identification and ductwork cleaning; and • considering manufacturer's recommendations or industry best practices when designing the preventative maintenance program.	Implemented
			5.48	The preventative maintenance program should outline the frequency and detailed procedures for preventative maintenance tasks.	Implemented
			5.49	The Western School Board should document the actual performance of its preventative maintenance tasks.	Implemented
			5.50	The Western School Board should implement a work order system that optimizes its preventative maintenance program.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			5.57	The Department of Education and Early Childhood Development should reassess its current funding formula to ensure it is relevant to maintenance operational needs. If the Department determines that it cannot fund a comprehensive preventative maintenance program, risk mitigating measures should be developed.	Implemented
			5.81	To meet the expectations of Risk Management and Insurance, the Western School Board should ensure that its playground inspection process meets the requirements of the CSA standard for *Children's Playspaces and Equipment*.	Implemented
			5.82	The Western School Board should implement a work order system to log, schedule, track, and document all corrective maintenance tasks identified from school personnel, building inspections, and internal and external inspections.	Implemented
Inspection of Bridges	Transportation and Infrastructure Renewal	2011	6.26	The Department should take steps to ensure that all bridge structures are recorded in the database.	Implemented
			6.27	All high priority bridges should be identified in accordance with the best practices adopted by the Department.	Implemented
			6.28	The Department should ensure that information recorded in the Bridge Management System for each bridge is accurate, complete, and updated for any additional assessment, rehabilitation, or demolition work.	Implemented
			6.29	The Department should re-examine the inspection practices related to the rails to trails structures.	Implemented
			6.38	The Department should ensure that high priority bridges are inspected every two years in accordance with adopted best practices.	Implemented
			6.39	The Department should take action to ensure the bridge inspections are conducted in accordance with Department requirements as outlined in the consultants' contracts.	Implemented
			6.40	The Department should implement review procedures to highlight inspection reports requiring follow-up.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			6.49	To support capital planning decisions, the Department should define the bridge condition information that is critical to capital planning and obtain this information from the Bridge Management System.	Implemented
			6.50	Capital planning decisions for bridges should be supported with documented risk considerations.	Implemented
			6.51	To assist in capital planning, the Department should ensure upgrades to the Bridge Management System are implemented.	Implemented
			6.55	Contractual arrangements for bridge inspections should be open to a competitive process. In accordance with Treasury Board policy, where a competitive process is not followed Treasury Board approval should be obtained.	Implemented
			6.56	The Department should ensure contracts are signed for bridge inspection work carried out by consultants.	Implemented
			6.60	At the completion of each biennial inspection cycle, the Department should re-examine the cost of contracting out versus staffing to conduct bridge inspections.	Implemented
			6.61	In accordance with Treasury Board Signing Authority Policy, contracts for consultant services that exceed $100,000 should be authorized by Treasury Board.	Implemented
Long Term Planning and Access - Community Mental Health	Health and Wellness / Health PEI	2012	3.26	The Department of Health and Wellness should develop a comprehensive long-term plan for community mental health.	Outstanding
			3.27	The Ministry of Health and Wellness should have a documented agreement with the NGO which at a minimum sets out • the funding provided; • the services to be delivered; and • the information required to demonstrate how the funding was used.	Implemented
			3.35	Health PEI should establish a guideline setting the minimum number of attempts for community mental health to contact clients for screening.	Implemented
			3.36	Health PEI should ensure referrals to community mental health are screened in the timeframe established in policy.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			3.37	Health PEI should ensure a triage level is assigned to all referrals screened by community mental health.	Implemented
			3.42	Health PEI should ensure referrals from hospitals to community mental health are reviewed in the timeframe established in policy.	Implemented
			3.43	Health PEI should implement a process to improve communication between hospitals and community mental health.	Implemented
			3.59	Health PEI should take action to improve wait times for community mental health services.	Outstanding
			3.60	The Director of Mental Health should obtain regular reliable information to monitor and manage wait times for community mental health services.	Outstanding
			3.61	Health PEI should establish target response times for community mental health referrals that are triaged as general or priority.	Implemented
			3.65	Health PEI should conduct and document periodic supervisory reviews of community mental health cases.	Outstanding
			3.69	Health PEI should take steps to improve the consistency and reliability of information entered in the case management system for community mental health.	Implemented
Contract Management of Professional Services - Tourism PEI	Tourism PEI	2012	4.23	Except where sole sourcing is warranted, Tourism PEI should use a competitive process in awarding professional services contracts.	Implemented
			4.24	Tourism PEI should seek Treasury Board approval to enter into contractual arrangements where required by Treasury Board policy.	Implemented
			4.25	Tourism PEI should follow its internal delegation of signing authority policy which requires two signatures from senior management on all contractual arrangements in excess of $25,000.	Implemented
			4.26	As required by Treasury Board Policy, Tourism PEI should maintain the required summary information on all contracts in excess of $25,000.	Implemented

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.34	Tourism PEI should document all contractual arrangements and ensure minimum Treasury Board required clauses are used.	Implemented
			4.35	Tourism PEI should ensure that terms and conditions of the contractual arrangements are relevant and clear.	Implemented
			4.46	In accordance with the *Financial Administration Act*, Tourism PEI should not make advance payments on its contractual arrangements.	Implemented
			4.47	Tourism PEI should document any amendments to contract terms.	Implemented
			4.54	Tourism PEI should make payments only to the party named in the contractual arrangement.	Implemented
			4.55	Tourism PEI should have contracted parties provide sufficient details to support invoices.	Implemented
Highway Construction	Transportation and Infrastructure Renewal	2012	5.14	The Department of Transportation and Infrastructure Renewal should document contractual arrangements and ensure minimum Treasury Board required clauses are used.	Implemented
			5.15	In accordance with Treasury Board policy, the Department of Transportation and Infrastructure Renewal should ensure engineering services contracts exceeding $100,000 are approved by Treasury Board.	Implemented
			5.19	In accordance with the General Provisions and Contract Specifications for Highway Construction, the Department of Transportation and Infrastructure Renewal should obtain performance security for construction contracts.	Implemented
			5.24	The Department of Transportation and Infrastructure Renewal should ensure key decisions and discussions are documented for highway construction projects including • minutes of job meetings; and • approval of the chief engineer for significant project revisions.	Implemented
			5.29	The regional engineer should document approval of the construction schedule provided by the contractor.	Implemented
			5.30	Where contractors receive price adjustments allowed under the specifications, the regional engineer should ensure calculation of these adjustments is supported with documentation in the construction project file.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			5.31	Where penalties established under the specifications are waived, the reasons and approval of the chief engineer should be documented.	Implemented
			5.33	The Department of Transportation and Infrastructure Renewal should ensure payments related to highway construction projects are authorized by personnel with appropriate signing authority.	Implemented
			5.39	The Department of Transportation and Infrastructure Renewal should ensure a certificate of substantial completion is issued for each highway construction project in accordance with the *Mechanics' Lien Act*.	Implemented
			5.40	The Department of Transportation and Infrastructure Renewal should ensure holdbacks are calculated and retained in accordance with the requirements of the *Mechanics' Lien Act*.	Implemented
			5.41	When a highway construction project extends from one year to another, the engineer's certificate of substantial completion issued after year one should indicate it relates to completion of the work scheduled for year one of the contract.	Implemented
			5.50	Where test results vary from specifications but are deemed acceptable, management of the Materials Testing Lab should document approval on the test sheets.	Implemented
			5.51	Management of the Materials Testing Lab should sign the test reports for the asphalt mix design to indicate verification and approval.	Implemented
			5.52	Management of the Materials Testing Lab should ensure asphalt mix design formulas include all the information required by the specifications including • the type and source of asphalt cement; • the name and contact information of the lab performing the tests on the asphalt cement; and • the quantity and type of anti-stripping agent used in the mix.	Implemented
			5.55	Field test results on asphalt production that are outside the limits established in the specifications should be signed by lab management and provided to the regional engineer.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			5.59	The Department of Transportation and Infrastructure Renewal should evaluate the impact of increasing the specification for target minimum asphalt compaction.	Implemented
			5.60	Compaction and profilograph test results provided to the project manager and regional engineer should be signed to indicate they were verified by a lab supervisor.	Implemented
			5.63	Management of the Materials Testing Lab should conduct and document periodic internal reviews of the work completed by lab personnel.	Implemented
			5.71	The Department of Transportation and Infrastructure Renewal should ensure job meetings on highway construction projects include acknowledgement of environmental risks related to the project.	Implemented
			5.72	The Department of Transportation and Infrastructure Renewal should adhere to environmental conditions imposed under special environmental permits.	Implemented
			5.73	The Department of Transportation and Infrastructure Renewal should develop a policy on the frequency and documentation required for inspections carried out by environmental field officers.	Implemented
Grants and Loans - Office of Energy Efficiency	Finance, Energy and Municipal Affairs	2012	6.22	The Office of Energy Efficiency should retain the income documentation of applicants where this information is applicable to program eligibility.	Implemented
			6.23	The Office of Energy Efficiency should perform credit assessments on regular income applicants of the PEI Energy Efficiency Loan Program.	Implemented
			6.24	The Manager of the Office of Energy Efficiency should provide documented approval on all loan applications prior to the loans being issued by the PEI Lending Agency.	Implemented
			6.25	The Office of Energy Efficiency should obtain invoices for eligible upgrades completed by applicants of the PEI Energy Efficiency Loan Programs.	Implemented
			6.29	The Office of Energy Efficiency should formalize its arrangement with the PEI Lending Agency for disbursing, monitoring, and collecting PEI energy efficiency loans.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			6.34	The Office of Energy Efficiency should regularly report to Treasury Board on the effectiveness of the energy efficiency loan and grant programs.	Implemented
Management of Ground Ambulance Services	Health and Wellness / Health PEI	2013	3.23	Emergency Health Services should initiate legislative amendments to update the board composition of the Emergency Medical Services Board to reflect the current service delivery model.	Implemented
			3.36	Health PEI should strengthen its medical oversight function by • being more proactive to request the required medical audit reports; • having a sign-off on the review of medical audit reports; • reporting results of reviews to the Emergency Medical Services Board; and • conducting its own medical audits of the service provider's reported compliance with the patient care protocols using a risk-based approach.	Implemented
			3.41	Emergency Health Services should review the satisfaction survey approach to ensure it meets the contract requirements.	Implemented
			3.42	Emergency Health Services should strengthen its management of complaints to ensure the process complies with Health PEI's *Compliments and Complaints* policy.	Implemented
			3.47	Emergency Health Services should strengthen its oversight of vehicle maintenance to include • comparing the service provider's actual vehicle maintenance to some authoritative source such as the service provider's preventative maintenance program or manufacturers' recommendations; and • documenting the results of the review.	Implemented
			3.51	Emergency Health Services should implement internal control procedures to assess the completeness and accuracy of Patient Call Report data.	Outstanding

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			3.56	Emergency Health Services should strengthen its incident reporting framework to • include a definition of incidents; • streamline the process through the implementation of standardized forms and contacts; and • log and track incidents for analysis and reporting.	Outstanding
			3.59	Overall, Emergency Health Services should modernize its performance standards for ground ambulance services to reflect a performance management framework that is more in line with industry best practices.	Outstanding
			3.69	Emergency Health Services should ensure the service provider names Health PEI as an additional insured under the general liability insurance and malpractice insurance as required by the contract terms.	Implemented
			3.70	Emergency Health Services should amend the contract terms to reflect the actual amount of automobile insurance it requires of the service provider.	Outstanding
			3.71	Emergency Health Services should review the annual audited financial statements of the service provider.	Implemented
			3.72	For future contractual arrangements, Emergency Health Services should avoid clauses that grant significant extensions early in the initial term of the contract.	Implemented
			3.73	Pursuant to Treasury Board policy 13.07 - *Elements of a Professional Services Contract*, Emergency Health Services should amend the contract terms to clearly lay out the payment mechanism for inter-facility transfers.	Outstanding
			3.85	Health PEI should follow Treasury Board policy on delegation of signing authorities. Where exceptions are considered necessary, Health PEI should seek approval of Treasury Board.	Implemented
			3.86	Emergency Health Services should amend the contract terms to reflect policy changes that impact payments for services.	Outstanding
			3.87	Pursuant to the *Financial Administration Act*, Emergency Health Services should implement internal control procedures to verify invoices for payment.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			3.95	Emergency Health Services should implement internal control procedures to monitor the clause in the contract with the service provider requiring all Emergency Medical Technicians employed have a valid license to practice.	Implemented
			3.96	The Emergency Medical Services Board should update its policies to accurately reflect the continuing education requirements that are deemed eligible for licensure.	Implemented
			3.97	The Emergency Medical Services Board should update its policies to clearly outline the emergency callout requirements that are deemed eligible for licensure.	Implemented
			3.98	The Emergency Medical Services Board should validate the listed emergency callouts that applicants claim on their Emergency Medical Technician license applications.	Implemented
			3.99	The Emergency Medical Services Board should conduct random audits of Emergency Medical Technician licensees to ascertain whether the continuing education reported is valid and appropriate.	Implemented
			3.106	The Emergency Medical Services Board should ensure that ambulances are inspected twice annually as required by the *Emergency Medical Services Regulations*.	Implemented
			3.107	The Emergency Medical Services Board should implement internal control procedures to ensure ambulances are inspected prior to entry into service.	Implemented
			3.108	The Emergency Medical Services Board should implement internal control procedures to ensure deficiencies noted during ambulance inspections are followed up in a timely manner.	Implemented
Skills PEI	Innovation and Advanced Learning	2013	4.19	SkillsPEI should establish objectives congruent with its goals. Outcome based performance indicators should be developed that link to these objectives.	Implemented
			4.20	SkillsPEI should obtain information to assess its performance and provide the results in the annual report of the Department of Innovation and Advanced Learning.	Implemented
			4.23	SkillsPEI should strengthen its processes for tracking documenting, and approving policy changes and ensure all significant program policy changes are formally authorized by the Deputy Minister.	Implemented

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.30	SkillsPEI should use a competitive process to contract for employment assistance services that are provided to the general population.	Implemented
			4.31	SkillsPEI should develop criteria for selecting organizations to deliver employment assistance services to specific client groups.	Implemented
			4.34	Where required by Treasury Board policy, SkillsPEI should seek Treasury Board approval to enter into contractual arrangements.	Implemented
			4.38	For funding agreements with external service providers, SkillsPEI should monitor results against targets and where necessary follow up and document any resulting action required.	Implemented
			4.39	SkillsPEI should obtain and review annual financial statements of contracted service providers.	Implemented
			4.44	SkillsPEI should revise the contract terms to reflect the requirement for the service provider to submit periodic claims to support actual expenditures for the period.	Implemented
			4.45	SkillsPEI should develop and document procedures to guide the work of program officers in validation of claims.	Implemented
			4.51	SkillsPEI should ensure that payments under the TrainingPEI program are made in accordance with terms and conditions established in policy.	Implemented
			4.54	SkillsPEI should verify that clients have made the required contribution to their training costs as required by policy.	Implemented
			4.59	SkillsPEI should obtain sufficient information to support payments to provincial educational institutions for differential funding.	Implemented
			4.63	SkillsPEI should obtain documentation to support that initial and interim monitoring of TrainingPEI agreements has been completed by case managers as required by policy.	Implemented
			4.64	In accordance with policy, SkillsPEI should complete the final monitoring on TrainingPEI agreements.	Implemented
			4.72	SkillsPEI should document the expectations and accountability requirements for the self employment coordinator services provided to SkillsPEI by Innovation PEI.	No Longer Applicable

10. Update on Previous Recommendations

Audit	Department/ Agency	Year	Para.	Recommendation	Status Based on Management's Response
			4.73	SkillsPEI should ensure all self employment coordinators report activities and results as required in their signed agreements. Significant variations should be followed up by SkillsPEI on a timely basis.	No Longer Applicable
			4.76	SkillsPEI should obtain information to ensure that monitoring required by policy is completed by the self employment coordinators.	No Longer Applicable
			4.81	SkillsPEI should ensure initial and interim monitoring required by EmployPEI program policy is carried out and documented in the files.	Implemented
			4.82	As required by policy, SkillsPEI should complete final monitoring of EmployPEI agreements prior to release of final payments.	Implemented
			4.87	In accordance with Treasury Board policy, payments made by SkillsPEI should be appropriately authorized.	Implemented
Provincial Nominee Program - Follow up on the Use of Proceeds Agreement	Innovation and Advanced learning	2013	5.31	Island Investment Development Inc. should complete the review of its sample of businesses that had a signed *Use of Proceeds Agreement* and report the conclusions in its Annual Report.	Implemented
			5.32	Island Investment Development Inc. should determine and report publically on what its sample results mean to the population of businesses that had a signed *Use of Proceeds Agreement*.	Implemented
			5.34	Island Investment Development Inc. should publish its Annual Reports on a timely basis.	Implemented

PUBLIC ACCOUNTS COMMITTEE

11. PUBLIC ACCOUNTS COMMITTEE

ROLE AND MANDATE

11.1 The Public Accounts Committee is a committee of the Legislative Assembly. It is charged with matters concerning the Public Accounts of the province and the Auditor General's Annual Report. The Committee consists of seven members and is chaired by a member of the Official Opposition.

11.2 The Committee plays a key role in the accountability process and assists the Legislative Assembly to hold government accountable for the use of public funds and the stewardship of public resources. The Legislative Assembly refers the Annual Report of the Auditor General to the Committee for consideration and review.

11.3 The Committee holds public meetings and through the Committee's deliberations and reports provided to the Legislative Assembly, it promotes a more open and accountable government. The Committee requires the Auditor General and other witnesses to appear and answer questions on matters raised in the Auditor General's Annual Report as well as other issues as the Committee deems appropriate. Through its efforts, the Committee contributes to improved accountability and effectiveness in government operations.

PROCEEDINGS AND RESULTS

11.4 Since our last report, the Committee met eight times. The Auditor General was present at three of those meetings which dealt directly with the review of the 2014 Annual Report of the Auditor General. The Auditor General assisted the Committee in its deliberations and provided additional information and clarification as requested.

11.5 In its report to the Legislative Assembly dated November 14, 2014, the Committee endorsed all the recommendations and observations made in the special audits and examinations section of the 2014 Auditor General's Annual Report to the Legislative Assembly.

11.6 The Committee, in its report, also strongly encouraged all departments and agencies of government to carefully consider the recommendations of the Auditor General and asked that the status of implementation of recommendations be reviewed and their status be reported in the Auditor General's next report to the Legislative Assembly. Further, the Committee supported the importance of the work of the Office in examining and reporting on government operations and requested that an appropriate level of funding be provided to ensure adequate resources are available to the Office.

OFFICE OF THE AUDITOR GENERAL

12. OFFICE OF THE AUDITOR GENERAL

RESPONSIBILITIES AND FUNCTIONS

12.1 The Auditor General is a servant of the Legislative Assembly. The Office of the Auditor General is positioned to offer impartial opinions, observations, and recommendations on government operations and management practices. The *Audit Act* establishes the legal framework for an independent audit office. The key components of that independence are:

- the authority to carry out audits and examinations which the Auditor General deems necessary;
- the right of access to records and information necessary to perform audit functions;
- the power to request and receive required information and explanations;
- the requirement to report annually to the Legislative Assembly; and
- a Legislative Audit Committee which reviews the Office's budget.

12.2 Under the *Audit Act*, the Office has the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and funds. Financial audits include examinations of financial statements and other financial reports on which we provide assurance that the financial information is presented fairly.

12.3 The Auditor General reports annually to the Legislative Assembly. The annual report

- provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year;
- calls attention to anything that the Auditor General considers necessary to be brought to the attention of the Legislative Assembly; and
- includes other specific reporting requirements pursuant to the *Audit Act*.

12.4 The Office of the Auditor General conducts its work in accordance with professional auditing standards issued by the Chartered Professional Accountants of Canada and abides by the rules of professional conduct and ethics of the Chartered Professional Accountants of Prince Edward Island.

12.5 In the fall of 2014, the Office released its *Strategic Plan 2014 - 2018*. This plan documents the Office vision and mission and outlines the future direction of the Office as it continues to serve the Legislative Assembly. The strategic objectives identified were the result of meetings and discussions with several members of the Legislative Assembly and senior government management as well as staff of the Office of the Auditor General.

OUR VISION

12.6 An independent audit office highly valued by Islanders for the integrity and excellence of its work in advancing accountability for government's administration of public resources.

OUR MISSION

12.7 The Office of the Auditor General conducts independent audits and examinations that provide objective information, advice, and assurance to the Legislative Assembly. The Office promotes accountability and best practices in government operations.

OUR VALUES

12.8 The Office of the Auditor General has identified the values which will guide it in achieving its vision and mission. These values guide our day-to-day actions and serve as constant reminders of our commitments. They are a statement of the high standards we apply to ourselves and our work.

- **Independence**
  We report to the Legislative Assembly and are fair, objective, and non-partisan in our approach. We adhere to our independence standards and professional codes of ethics, avoiding real and perceived conflicts in our relationships and in the conduct of our work.

- **Reliability**
  We work together and with others in an open, honest, and trustworthy manner. We strive to meet the highest standards of professional conduct and to produce work of consistent high quality.

- **Progressive**
  We seek opportunities for positive change and innovation in our operations. We promote improvements in public sector management through our work and recommendations.

- **Relevance**
  We select our audits on the basis of significance and risk with the goal of making a positive difference for Islanders. Our reports present findings on matters of importance to the Legislature and the public.

OUR STRATEGIC OBJECTIVES

12.9 The following three strategic objectives support the realization of our vision. A number of planned actions have been identified for each strategic objective and will be implemented over the coming months and years.

12.10 Our strategic objectives and planned actions are as follows:

Increase support and communication to our external stakeholders.

- Deliver the best mix of audit products consistent with our mandate that maximizes the impact and value of our audit work.

- Seek opportunities to enhance understanding of our role and responsibilities with
  - Members of the Legislative Assembly;
  - Public Accounts Committee;
  - Management;
  - Governing bodies; and
  - Islanders.
- Improve communication with our external stakeholders.

Provide a more rewarding professional work environment.

- Increase opportunities to challenge and reward employees.
- Increase professional development and training opportunities for staff.
- Improve internal office communication and the office work environment.

Improve our audit and administrative work practices.

- Develop and implement a risk management program.
- Increase audit efficiency while continuing to meet professional standards.

12.11 Our strategic objectives and planned actions set the framework for directing our efforts. Subactions have been identified and indicators will be developed to measure our performance. We will report annually on our progress.

AUDIT PLANNING AND PROFESSIONAL STANDARDS

OFFICE AUDIT PLANNING

12.12 An audit work plan is developed each year based on Office resources, statutory requirements, and audit priorities established by the Office. The annual work plan includes a number of financial audits as well as special audits and examinations. Based on prioritization of risk factors as well as a desire to provide broad audit coverage across numerous government organizations on a periodic basis, a number of special audits and examinations are identified.

12.13 Various factors are considered in establishing priorities for special audits and examinations. These include the financial magnitude of the entity or program, the possible matters of significance that may result from the audit, the complexity of operations or program delivery, the results of previous audits, the timing of the last audit and the potential impact on the public. Other factors considered in planning each audit include our audit mandate, expected resources required to complete the audit, and the quality of the existing internal controls within the entity.

PROFESSIONAL STANDARDS

12.14 Generally accepted accounting principles for public sector entities are established through the recommendations of the Chartered Professional Accountants of Canada (CPA Canada). In conducting our financial audits, we rely on these standards as well as other guidance provided by CPA Canada and other authoritative sources.

12.15 Our financial audits are conducted in accordance with Canadian Auditing Standards (CAS) for assurance engagements as promulgated by CPA Canada. The CAS require that the auditor complies with ethical requirements, plans and performs the audit to obtain reasonable assurance that the financial information is free from material misstatement, and requires the auditor to express an independent audit opinion. Special audits and examinations are conducted in accordance with other Canadian standards as outlined in the CPA Canada Handbook. The standards provide guidance in the following areas: compliance with ethical requirements, knowledge of the entity, audit planning, implementation, and reporting.

12.16 For financial statement audits, the Office is subject to a periodic practice inspection which is carried out by the Chartered Professional Accountants of Prince Edward Island. This process is designed to protect the public interest by ensuring the Office meets the standards required of the profession.

12.17 The Canadian Council of Legislative Auditors (CCOLA) provides a peer review process for financial statement and special audits and examinations. This peer review process provides assurance that the Office is conducting audits in compliance with the applicable standards of CPA Canada.

PERSONNEL, RESOURCES, AND AFFILIATIONS

PERSONNEL

12.18 The Office staff complement consists of two audit directors, fourteen professional auditors, and two administrative staff. During 2014-15 there were 1.4 full time equivalent positions vacant and unfunded.

12.19 All audit staff in our Office have professional accounting designations. We strive to provide training and professional development opportunities for staff. Individual staff members attend various professional courses, conferences, seminars, and meetings.

12.20 The Chartered Professional Accountants of Prince Edward Island requires members to meet professional development requirements each year. Our professional staff have met these training requirements.

RESOURCES

12.21 Funding for the operation of the Office of the Auditor General is by way of an annual appropriation approved by the Legislative Assembly. For the year ended March 31, 2015, the approved budgeted expenditures for the Office amounted to $1,849,000 and are summarized in **Exhibit 12.1.** The Office's major expense is salaries and benefits which makes up 94 percent of the total budget for 2014-15.

EXHIBIT 12.1
OFFICE OF THE AUDITOR GENERAL
OFFICE BUDGET
YEAR ENDED MARCH 31, 2015

Account	Budget
Administration	$ 34,900
Equipment	7,600
Materials, supplies, and services	8,000
Professional and contract services	20,000
Salaries	1,733,200
Travel and training	37,300
Contributions - CCAF	8,000
Total	**$1,849,000**

12.22 Pursuant to the *Audit Act*, the Legislative Audit Committee, a standing Committee of the Legislative Assembly, is responsible for administrative oversight of the Office of the Auditor General. The Committee includes the Speaker of the Legislative Assembly, who is the Chairperson, the Leader of the Opposition, and the Minister of Finance and Energy. On an annual basis, the Committee reviews the budget estimates submitted by the Auditor General.

PROFESSIONAL AFFILIATIONS

12.23 The Office maintains a close association with a number of professional organizations to share experience, knowledge, and methodology with a view to contributing to the ongoing development of legislative audit practices. We also strive to remain current in legislative and other audit practices as well as new developments within the profession. Key affiliations include

- **The Canadian Council of Legislative Auditors (CCOLA)** - The Auditor General is a member of the Canadian Council of Legislative Auditors. This Council brings together legislative auditors of the federal government, the provinces, and the territories. The Council provides an opportunity for professional development through information exchange, discussion, development, and enhancement of legislative audit practices. Office staff serve on various CCOLA committees and study groups.

- **The Public Sector Accounting Board** - The Office provides input and cooperates with the Board in its efforts to improve and harmonize public sector accounting practices across Canada. The Board conducts research and issues recommendations on public sector accounting matters.

- **The Chartered Professional Accountants of Canada and Chartered Professional Accountants of Prince Edward Island** - The Office maintains an important professional relationship with these organizations and provides input and receives information on developments in the profession.

- **CCAF** - The Office has been a member and supporter of the CCAF since its inception in 1980. CCAF is one of Canada's leading educational and research organizations in the domain of public sector performance audit and legislative oversight.

SCHEDULES

SCHEDULE A

OPERATING APPROPRIATIONS

	APPROPRIATION ACT 2013	SPECIAL WARRANTS	TRANSFERS	SEQUESTRATIONS	TOTAL APPROPRIATIONS	EXPENDITURES 2014	UNDER/(OVER) EXPENDITURES 2014
CURRENT							
AGRICULTURE AND FORESTRY	$ 36,367,000	$ -	$ 48,100	$ (85,000)	$ 36,330,100	$ 33,786,595	$ 2,543,505
AUDITOR GENERAL	1,799,100	-	6,200	-	1,805,300	1,662,359	142,941
COMMUNITY SERVICES AND SENIORS	97,441,000	-	99,900	-	97,540,900	92,337,156	5,203,744
INTERMINISTERIAL WOMEN'S SECRETARIAT	424,900	-	600	-	425,500	421,952	3,548
EDUCATION AND EARLY CHILDHOOD DEVELOPMENT	230,885,200	5,607,000	29,700	-	236,521,900	236,511,431	10,469
ISLAND REGULATORY AND APPEALS COMMISSION	1,358,300	-	-	-	1,358,300	1,358,300	-
ENVIRONMENT, LABOUR AND JUSTICE	60,599,600	347,500	176,300	-	61,123,400	60,198,288	925,112
EXECUTIVE COUNCIL	8,752,700	-	31,200	-	8,783,900	8,736,858	47,042
FINANCE, ENERGY AND MUNICIPAL AFFAIRS	65,906,600	764,800	134,100	-	66,805,500	66,805,463	37
COUNCIL OF ATLANTIC PREMIERS	188,400	-	-	-	188,400	188,209	191
GENERAL GOVERNMENT	12,278,100	-	(959,800)	-	11,318,300	7,584,874	3,733,426
EMPLOYEE BENEFITS	46,770,100	31,058,800	-	-	77,828,900	77,828,853	47
FISHERIES, AQUACULTURE AND RURAL DEVELOPMENT	9,862,100	-	21,500	(20,400)	9,863,200	9,797,786	65,414
EMPLOYMENT DEVELOPMENT AGENCY	5,506,800	-	-	-	5,506,800	5,253,879	252,921
HEALTH AND WELLNESS	12,637,700	-	27,300	-	12,665,000	12,226,535	438,465
HEALTH PEI	565,701,700	-	-	-	565,701,700	565,701,700	-
INNOVATION AND ADVANCED LEARNING	122,693,000	-	44,200	-	122,737,200	122,589,544	147,656
INNOVATION PEI	21,710,200	2,000,000	21,900	-	23,732,100	23,710,200	21,900
LEGISLATIVE ASSEMBLY	4,842,700	-	8,800	-	4,851,500	4,822,316	29,184
PEI PUBLIC SERVICE COMMISSION	7,444,000	-	26,200	-	7,470,200	7,059,258	410,942
TOURISM AND CULTURE	16,565,200	-	22,000	-	16,587,200	16,497,625	89,575
TOURISM PEI	15,444,800	-	41,500	-	15,486,300	15,330,004	156,296
TRANSPORTATION AND INFRASTRUCTURE RENEWAL	101,276,200	6,500,000	220,300	-	107,996,500	107,979,976	16,524
INTEREST CHARGES ON DEBT	113,349,300	575,500	-	-	113,924,800	113,924,743	57
TOTAL CURRENT	$1,559,804,700	$ 46,853,600	$ -	$(105,400)	$1,606,552,900	$1,592,313,904	$14,238,996

Note: Appropriations and expenditures are presented in accordance with the classification in the *Appropriation Acts* 2013. This differs from the format used in the Operating Fund financial statements in that amortization of tangible capital assets is recorded as an expense and capital assets are capitalized in the Operating Fund financial statements.

CAPITAL APPROPRIATIONS

	APPROPRIATION ACT 2013	SPECIAL WARRANTS	TRANSFERS	SEQUESTRATIONS	TOTAL APPROPRIATIONS	EXPENDITURES 2014	UNDER/(OVER) EXPENDITURES 2014
CAPITAL							
AGRICULTURE AND FORESTRY	$ 160,000	$ 85,000	$ -	$ -	$ 245,000	$ 234,954	$ 10,046
COMMUNITY SERVICES AND SENIORS	750,000	-	-	-	750,000	516,461	233,539
EDUCATION AND EARLY CHILDHOOD DEVELOPMENT	17,975,000	-	-	(477,600)	17,497,400	12,172,680	5,324,720
ENVIRONMENT, LABOUR AND JUSTICE	935,000	-	-	-	935,000	897,430	37,570
FINANCE, ENERGY AND MUNICIPAL AFFAIRS	6,266,400	1,320,200	-	-	7,586,600	7,310,033	276,567
FISHERIES, AQUACULTURE AND RURAL DEVELOPMENT	-	20,400	-	-	20,400	20,327	73
HEALTH PEI	17,719,700	394,700	-	-	18,114,400	18,114,364	36
TOURISM PEI	800,000	375,000	-	-	1,175,000	1,168,454	6,546
TRANSPORTATION AND INFRASTRUCTURE RENEWAL	39,250,000	2,800,000	-	-	42,050,000	41,874,062	175,938
TOTAL CAPITAL	$ 83,856,100	$ 4,995,300	$ -	$(477,600)	$ 88,373,800	$ 82,308,765	$ 6,065,035
GRAND TOTAL	**$1,643,660,800**	**$51,848,900**	**$ -**	**$(583,000)**	**$1,694,926,700**	**$1,674,622,669**	**$20,304,031**

Note: Appropriations and expenditures are presented in accordance with the classifications in the *Appropriation Acts* 2013. This differs from the format used in the Operating Fund financial statements in that amortization of tangible capital assets is recorded as an expense and capital assets are capitalized in the Operating Fund financial statements.

ORDER-IN-COUNCIL	SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2014 FISCAL YEAR	
	EDUCATION AND EARLY CHILDHOOD DEVELOPMENT	
EC2015-68	**GRANTS TO SCHOOL BOARDS**	
	Salaries	$ 5,129,400
	Professional and Contract Services	477,600
		$ 5,607,000
	To fund additional expenditures for salary and demolition costs, partially offset by revenue from fees and services and by a sequestration of funds from Education and Early Childhood Development - Capital.	
	ENVIRONMENT, LABOUR AND JUSTICE	
EC2014-193	**PROVINCIAL POLICING SERVICES - RCMP**	
	Professional and Contract Services	$ 118,500
	DIVISION MANAGEMENT	
	Materials, Supplies, and Services	124,500
	YOUTH JUSTICE SERVICES	
	Materials, Supplies, and Services	104,500
	Total	$ 347,500
	To fund the costs of youth justice projects and additional RCMP costs to ensure public safety during the transport of large loads. Fully offset by federal revenue under the terms of the Youth Justice Agreement and from the private sector on a cost recovery basis for RCMP services provided.	

ORDER-IN-COUNCIL	SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2014 FISCAL YEAR	
	FINANCE, ENERGY AND MUNICIPAL AFFAIRS	
EC2015-70	**ECONOMICS, STATISTICS & FEDERAL FISCAL RELATIONS**	
	Grants - Low and Modest Income Household Credit	$ 764,800
	To fund additional expenditures for HST rebates for low and modest income households and First Nations, fully offset by HST revenue to be recorded on a gross rather than net basis.	
	EMPLOYEE BENEFITS	
EC2015-69	**EMPLOYEE FUTURE BENEFITS**	
	WCB - Civil Service	$ (4,093,200)
	PENSION MANAGEMENT	
	Interest on Unfunded Pension Liability	6,971,700
	Civil Service Pension Plan	9,373,300
	Teachers' Pension Plan	18,807,000
		$31,058,800
	To fund additional costs related to finalized valuation results for both the Civil Service Superannuation and Teachers' Superannuation pension funds and the revaluation of the liability transferred to the Workers Compensation Board.	
	INNOVATION PEI	
EC2014-196	**PROGRAMS**	
	Grants - Economic	$ 2,000,000
	To fund additional expenditures for business expansion and product development.	

ORDER-IN-COUNCIL	SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2014 FISCAL YEAR		
	TRANSPORTATION AND INFRASTRUCTURE RENEWAL		
EC2014-194	**PROVINCIAL HIGHWAY MAINTENANCE OPERATIONS**		
	Materials, Supplies, and Services	$ 700,000	
	Professional and Contract Services	1,195,000	
	PUBLIC WORKS AND PLANNING		
	Materials, Supplies, and Services	775,000	
	Professional and Contract Services	330,000	3,000,000
	To fund additional costs for highway maintenance operations, buildings, fuel usage, and demolition costs for two buildings, partially offset by federal revenue.		
EC2014-613	**INFRASTRUCTURE**		
	Grants - Infrastructure	2,500,000	
	PROVINCIAL HIGHWAY MAINTENANCE OPERATIONS		
	Contract Services	1,000,000	3,500,000
	To fund additional costs for the Prince Edward Island Convention Centre and snow removal contracts.		
	Total		$ 6,500,000
	INTEREST CHARGES ON DEBT		
EC2015-73	**PROMISSORY NOTES FOR PENSION PLANS**		
	Interest		$ 575,500
	To fund interest costs related to the issuance of promissory notes to both the Civil Service Superannuation and Teachers' Superannuation pension funds.		
	TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES		$46,853,600

ORDER-IN-COUNCIL	SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2014 FISCAL YEAR	
	AGRICULTURE AND FORESTRY	
EC2014-51	**CAPITAL EQUIPMENT**	
	Machinery and Equipment	$ 85,000
	To fund equipment costs for milk testing and tractor replacement, fully offset by a sequestration of funds from Agriculture and Forestry - Current.	
	FINANCE, ENERGY AND MUNICIPAL AFFAIRS	
EC2014-123	**CAPITAL PROJECTS**	
	Professional and Contract Services	$ 265,200
	Computer Equipment	1,055,000
	Total	$ 1,320,200
	To fund additional costs for Information Technology Shared Services projects including Education Link and Peoplesoft upgrade.	
	FISHERIES, AQUACULTURE AND RURAL DEVELOPMENT	
EC2015-71	**CAPITAL PURCHASES**	
	Computer Hardware	$ 20,400
	To fund the replacement of the customer service ticketing service, fully offset by a sequestration of funds from Fisheries, Aquaculture and Rural Development - Current.	
	HEALTH PEI	
EC2015-72	**CAPITAL IMPROVEMENTS**	
	Health Facilities	$ 394,700
	To fund additional costs for capital projects.	

ORDER-IN-COUNCIL	SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2014 FISCAL YEAR	
	TOURISM PEI	
EC2014-52	**CAPITAL IMPROVEMENTS**	
	Confederation Trail	$ 375,000
	To fund construction and restoration costs for the Stratford to Iona section of the Confederation Trail, fully offset by revenue from a private donor.	
	TRANSPORTATION AND INFRASTRUCTURE RENEWAL	
EC2014-195	**LAND**	
	Capital - Land	$ 640,000
	CAPITAL IMPROVEMENTS - HIGHWAYS	
	Bridges	1,800,000
	CAPITAL IMPROVEMENTS - BUILDINGS	
	Building Upgrades	360,000
	Total	$ 2,800,000
	To fund additional capital expenditures including land purchases, bridge repairs, and building upgrades within the Provincial Administrative Buildings Complex.	
	TOTAL SPECIAL WARRANTS FOR CAPITAL EXPENDITURES	$ 4,995,300
	TOTAL SPECIAL WARRANTS ISSUED FOR THE 2014 FISCAL YEAR	$51,848,900